Austria	Sch22	Indonesia	[illegible]	Oman	Or 1
Bahrain	Din0.700	Iran	[illegible]	Philippines	Pes40
Belgium	BFr60	Israel	[illegible]	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	[illegible]
Denmark	DKr10.00	Jordan	Fils.600	S.Arabia	[illegible]
Egypt	[illegible]	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	[illegible]	Spain	Pta145
France	FFr7.00	Lux	LFr60	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh5.00	Thailand	[illegible]
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	[illegible]
Iceland	Ikr125	Nigeria	Naira10	Turkey	[illegible]
India	Rup15	Norway	Nkr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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GERMANY
Is the 'problem' still a threat?
Page 16

World News

De Klerk tells Kaunda of his vision of reform

South Africa's acting State President F W de Klerk outlined his vision of internal reform to President Kenneth Kaunda of Zambia who appeared to have given it a favourable reception. Page 18

Afghan rebel claim
Hezb-i-Islami, an Afghan guerrilla group, claimed about 300 people had been killed in feuding between two rival rebel groups in north Afghanistan and fighting was spreading.

Hong Kong control
Hong Kong riot police used helicopters and landing craft to re-establish control on the Soko Islands where weekend disturbances by Vietnamese boat people left 23 policemen injured. Page 3

Cuban sentence
The Cuban military prosecutor has demanded a 20-year sentence for former Interior Minister Jose Abrantes in the aftermath of July's drug-trafficking scandal.

S Africa strike call
South Africa's largest black unions have decided to call a five-day general strike to coincide with the country's September 6 general elections. Page 3

Colombian pledge
The US said it had been assured that Colombian Justice Minister Monica De Greiff had not resigned in the face of death threats and was in Washington to pursue Colombia's war against drugs, not to seek asylum. President Barco's denial, Page 2

Israeli mock raid
Israeli jets staged "mock raids" over a Hizbollah stronghold deep in Lebanon's Bekaa Valley following another strike killing nine Hizbollah members in southern Lebanon. Page 3

Sailor survives
An Indian sailor who jumped overboard in a life jacket and floated for two nights and a day in the Atlantic was reported in satisfactory condition in a Florida hospital. He was rescued by a pleasure boat.

Albanian charges
Jailed ethnic Albanian leader Azem Vlasi and 14 other Albanians in Yugoslavia's Kosovo province were indicted on charges of counter-revolution. Page 2

Mafia assassination
Lodovico Ligato, a well-known Christian Democrat politician and former president of the Italian state railways, has been murdered by the N'drangheta, the Calabrian mafia. Page 2

Polish compromise
Poland's Communist Defence Minister said he would support a Solidarity-led government but warned it must not pull the country out of the Warsaw Pact. West German message, Page 3

Unita death claim
Angola's right-wing Unita rebels said they killed 143 troops and lost 23 of their own people at the weekend as the Government stepped up an offensive on rebel bases.

Franco-Syrian talks
Mr François Scheer, secretary-general of the French Foreign Ministry, met Syrian leaders in Damascus as France renewed its efforts to defuse the Lebanon conflict. Page 3

Jean Reyre dies
Mr Jean Reyre, the principal post-war architect of the Paribas investment banking empire, has died in Paris aged 89. Page 4

Bomb defused
West German explosives' experts defused an IRA-style bomb found under a British soldier's car near Hanover.

Karajan successor
Belgian opera director Gerard Mortier has been named artistic director of the Salzburg Festival, following the death last month of Herbert von Karajan.

Business Summary

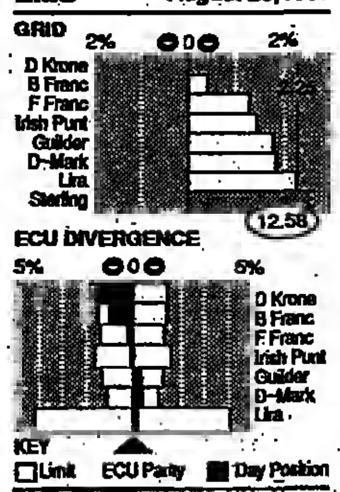
Wall Street prices close modestly higher

US stocks ended modestly higher, as a spate of late Wall Street buying, some of it futures-related, helped revive prices which had struggled against profit-taking periodically during the day. The Dow Jones Industrial Average closed up 11 points at 2,743.36. Gainers outpaced decliners.

EUROPEAN Monetary System: The D-Mark fell to lowest level against the French franc for just over one year last week. The franc remains underpinned by the high level of French interest rates while the D-Mark reflects investor disappointment that West German rates were not increased at last week's meeting of the Bundesbank central council.

The Italian lira remained very firm, and the Bank of Italy intervened from time to time to try to slow the rise.

EMS August 25,1989



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency (except the lira), may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

SOUTH KOREA: The Seoul Government has approved a rescue plan for the Daewoo Group's ailing shipbuilding subsidiary, South Korea's second largest shipbuilder. Page 18; Analysis, Page 3

PLESSEY, UK electronics and defence group, has been told by the Takeover Panel, UK bids watchdog, to issue a shareholder circular qualifying its claim that General Electric Company and Siemens of West Germany are seeking to buy its businesses at less than market value. Page 19

CONFEDERATION of British Industry, UK employer's association, claimed the Government's battle against inflation may lead to slow investment growth and cause modest increases in manufacturing output. Page 18.

COMPAGNIE Industrielle, French holding company, has forced lawyers and financiers to check takeover rules while it fights a $3.6bn hostile takeover bid. Page 18

BARCLAYS De Zoete Wedd, UK stockbroker, and market researcher Dataquest said European personal computer market is expected to grow 50 per cent this year in value terms. Page 4

BURMA has authorised formation of a joint venture enterprise between three state-owned trading companies and Burmal Holdings of Malaysia. Page 4

BAYER, West German chemical group, announced 19 per cent jump in group pre-tax profits to DM2.2bn ($1.12bn). Page 22

AUSTRALIA's domestic pilots dispute remained at stalemate as the Government and two airlines continued a skeleton service. Page 4

SAAB-Scania, Swedish automotive and aerospace group, plans to sell three domestic car and truck component plants to stem losses in its vehicle division. Page 22

EUROPEAN Commission has decided to close an anti-dumping procedure involving Japanese imports of small hydraulic excavators. Page 4

FOREIGN airlines operating in Brazil have been authorised by the Central Bank to remit earnings after a wrangle that threatened to cost carriers millions of dollars. Page 2

BRITAIN's unionised companies had faster productivity growth in the early 1980s than their non-union counterparts, according to new reports. Page 6

Diplomats mount effort to rescue Cambodian talks

Cambodian resistance leader Prince Sihanouk, left, and former Foreign Minister Son Sann in Paris yesterday

INTENSE diplomatic activity resumed in Paris yesterday as foreign ministers and senior diplomats from 18 nations tried to rescue the international peace conference on Cambodia from the brink of failure, writes George Graham in Paris.

A month after the conference opened amid optimism that all sides were ready to make concessions for the sake of a peace settlement, the disagreements appear starker than ever.

But Mr Roland Dumas, the French Foreign Minister, urged conference delegates to make a final effort to find ground for agreement, "to take the political plunge of accepting the necessary compromises."

Committees working over the past four weeks have failed to produce a draft agreement to put to ministers although a number of areas of agreement have been found, especially on resettlement of refugees and rebuilding the Cambodian economy after a ceasefire.

"We have all come back to Paris to try to break the *impasse*. But if we are to do so, we must agree to start from the frank and realistic assessment that, on the key issues, we are nowhere near reaching agreement," said Mr Woog Kan Seng, Singapore's Foreign Minister.

Mr Dumas and Mr Ali Alatas, the Indonesian Foreign Minister who is co-chairing the conference with him, urged delegates not to go back over old ground but to concentrate on the five main areas of disagreement:

● The role of the UN in a Cambodian peace settlement and, in particular, the question of whether the international control mechanism to monitor a ceasefire and subsequent elections should be under UN auspices. The Phnom Penh Government headed by Mr Hun Sen has not yet accepted the role of the UN which still recognises the three-party resistance coalition led by Prince Norodom Sihanouk as the representative of Cambodia.

● The organisation of the ceasefire and the details of its implementation. UN officials have warned thet Cambodia's mountainous and jungle-covered terrain means a ceasefire would have to be followed by regrouping and disarmament in specified camps. The Vietnamese-backed Government in Phnom Penh favours an on-the-spot ceasefire which it believes would confine most of the resistance forces beyond the Cambodian border with Thailand.

● The condemnation of genocide in the final document. The word is targeted at the Khmer Rouge, part of Prince Sihanouk's coalition, who ruled the country under Pol Pot for four years from 1975 to 1979. Its inclusion in the conference texts is, however, contested both by China, the main backer of the Khmer Rouge, and by a number of other countries which, while disliking them, feel that to exclude them from the settlement would merely force them to continue the civil war.

Continued on Page 18

Gorbachev warns that Lithuanian protests have 'gone too far'

By James Blitz in Moscow

PRESIDENT Mikheil Gorbachev has said that the independence movement in the Lithuanian republic has "gone too far" and that the republic's government has begun to take "anti-constitutional decisions" which he cannot support.

Mr Gorbachev relayed his views to the Lithuanian Party leader, Mr Algirdas Brazauskas, in two telephone calls, on Friday and Sunday, from his holiday home, according to Mr Romaldus Ozolus, a member of the governing council of the Independent Popular Front, Sajudis.

Mr Ozolus said last night that he and five other members of the Sajudis council had been summoned to a meeting of the Lithuanian Party Central Committee yesterday in Vilnius where Mr Brazauskas told them of Mr Gorbachev's views.

Mr Ozolus said that it was not directly explained why Mr Gorbachev had felt the situation had gone "too far."

But, he said, by referring to anti-constitutional decisions, the Soviet leader seemed to have implied that he was anxious about a resolution passed last week by a commission of the Lithuanian Supreme Soviet investigating the 1939 Ribbentrop-Molotov Pact which preceded Stalin's invasion of the Baltic states.

The resolution denounced the Red Army's occupation of the republic in 1940 which was agreed in secret protocols attached to the Pact.

It also declared that a vote by the Lithuanian Parliament to join the Soviet Union was invalid.

However, Mr Ozolus said that the Lithuanian Party chief had reported that Mr Gorbachev did "not entirely support the strident tone" of a declaration issued by the Central Commitee in Moscow on Saturday against the independence movements in the Baltic states.

The declaration employed language that has rarely been used in official Soviet statements since Mr Gorbachev came to power.

It appealed in one place to workers and peasants "to stop the hysterical elements and not to give in to national hysteria."

Elsewhere, the document compared the increasingly powerful nationalist groups to organisations that had collaborated with the Nazis in the Second World War.

Communist Party leaders in the Baltics have been swift to counter the Kremlin's statement. In Latvia, the Communist Party ideology chief, Ivars Kezberis, said on local television that the statement was "provocative and an interference in our affairs."

And the Estonian Party ideology chief, Miik Tiitma, said that the statement had been drawn up by Kremlin conservatives in an attempt to discredit perestroika.

There has been widespread speculation that hardliners in the Moscow polithuro are taking the opportunity to hit back at the nationalist movements while Mr Gorbachev is away.

According to Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, no Central Committee meeting was called in the period before the statement was issued.

The official Soviet press has continued to step up the anti-nationalist sentiment.

The Moldavian Communist Party, said Pravda, "had not giving a proper rebuff to these nationalistic sentiments." Instead, the paper claimed that the local Party had slammed the ethnic Russian population.

A crucial phase in the nationalist tensions in Moldavia will be reached today when the Moldavian Supreme Soviet meets to decide whether to make Moldavian an official language in the republic, one of the Popular Front's principal demands.

If the Supreme Soviet passes that legislation, it will strike a serious blow for the republic's greater autonomy from Moscow.

But the revelation of Mr Gorbachev's views may give them the courage to resist passing the legislation today.

Soviet Gas Finds

New Soviet gas field find may be record size

By Karen Fossli in Oslo

SOVIET OFFICIALS say a gas field in the Kara Sea may be the largest in the world. It is thought to be more extensive than the Barents Sea discovery announced last week.

The Kara Sea field, east of the Novaya Zemlya island, could be a geological extension of the prolific West Siberian geological trend on the Yamal peninsula where other "super-giant" gas fields have been found.

The first gas field discovered onshore on Yamal is believed to have gas reserves in excess of 6 trillion (million million) cubic metres, which may indicate the potential of the Kara Sea discovery, called Russanovskaya.

On Thursday, Mr Ostap Sheremeta, a senior official in the Soviet Ministry of Oil and Gas, announced in Norway the discovery of a large gas field in the Barents Sea which he

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Citicorp says it will make fresh loans to Mexico

By Stephen Fidler in London

CITICORP, the largest US bank and Mexico's biggest bank creditor, will opt to make new loans to the country under a debt package agreed in principle last month, says Mr John Reed, Citicorp's chairman.

The agreement for Mexico, in which Citicorp led the negotiations on behalf of the banks, was the first since Mr Nicholas Brady, the US Treasury Secretary, launched a new international debt initiative in March.

Details of the agreement, which covers $54bn of medium- and long-term bank debt, are still being completed. But existing Mexican bank lenders would be able to choose one of three options: to swap existing debt either for 30-year bonds at 65 per cent of face valne but with market interest rates; or for bonds with the same face value but with a fixed 6¼ per cent interest rate; or to make new loans over equivalent to 25 per cent of their exposure over four years.

Most US banks were expected to take the 6¼ per cent bonds, taking advantage of favourable US accounting regulations.

But Mr Reed said in London: "We are most likely, 99.9 per cent, going to be a new money bank. Why? Because we believe that the Mexican economy is doing well." New loans also fitted with its long-term interest in Latin America.

Citicorp's $2bn of exposure to Mexico meant it would make between $400m and $500m in new loans, he said. It had also committed some $75m to e loan of more than $1bn being arranged by Manufacturers Hanover for the Philippines under a debt agreement in principal reached this month.

Mr Reed estimated that more than $30bn in loans to Mexico would be converted into 6¼ per cent bonds, insulating the country for 30 years from interest rate rises.

The bonds are being backed by $7bn in resources, including funds from the World Bank and IMF. Although the Brady initiative was meant to switch the focus of the debt strategy towards debt reduction and away from making fresh loans, there would not be enough of these resources to go round unless holders of at least $12bn debt made new loans, he said.

He saw some European and Japanese banks also making new loans to Mexico. In the US, Bank of America which has a long-standing interest in the country, might be an example of another US bank which might do some new *lending*.

Mr Reed also:

● Expressed doubts that a discount, such as the 35 per cent level agreed for Mexico, would be negotiated again within a bank creditor committee. He said the agreement for the Philippines, where the discounts will be arrived at in the market

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Analysis, Page 2

Active enforcement of US anti-trust laws promised

By Peter Riddell, US Editor in Washington

MR JAMES RILL, the recently appointed head of the Justice Department's anti-trust division, has signalled that he intends to pursue a more active enforcement of US anti-trust laws than the previous Administration.

The Reagan White House was widely accused of taking a permissive and passive view of anti-trust policy, but Mr Rill indicated in comments at the weekend that he takes a more traditional view of the implementation of the law.

In particular, he said the Justice Department would pursue anti-trust enforcement in the airline industry now that responsibility has been transferred from the Department of Transport.

Mr Rill noted that following the announcement of a challenge to a deal between Delta and American Airlines over a computer reservations system, the two parties had backed off.

Similarly, the proposed sale by Eastern of gates at Philadelphia to USAir had been dropped after departmental action.

He said this action would encourage competition and suggested that anti-trust enforcement in this way offered a greater prospect for a healthy airline industry than any attempt at re-regulation.

Mr Rill, previously a prominent Washington lawyer with long anti-trust experience, also gave only the most guarded backing to proposals made by Mr Robert Mosbacher, the Commerce Secretary, and by leading members of Congress that anti-trust laws should be relaxed to permit the formation of joint production ventures for new developments, to assist product innovation.

The Bush Administration, Mr Rill stressed, had not yet taken a position on whether or not there should be legislation, and if so, what form it might take.

He said that "if there is concern among businessmen that anti-trust law is unduly impeding the formation of legitimate productive joint manufacturing ventures, there may need to be some clarification of anti-trust laws to allievate those fears."

The issue was, he said, being studied "very hard" at present, although his tone was markedly less enthusiastic than that of most supporters of the proposal.

More generally, Mr Rill argued that there was no significant justification to the view that the US anti-trust code operated as a barrier to efficiency and productivity in American industry.

Anti-trust law had, he said, been a cornerstone of competition policy and the US economy for 100 years.

The requirement to compete with one another had meant that US companies had performed better in the public interest.

CONTENTS

BOOST FOR RAFSANJANI

Iran's Parliament is set to give President Ali Akbar Rafsanjani (left) a boost today by approving the most important members of the Cabinet team he presented 10 days ago.
Page 3

Brazil relents and frees foreign airlines' cash

By Ivo Dawnay in Rio de Janeiro

FOREIGN airlines operating in Brazil have been authorised by the Central Bank to remit their earnings after a long wrangle that threatened to cost several carriers millions of dollars. The decision to exempt airlines from rules introduced last month to freeze foreign exchange transfers followed strong lobbying by diplomats.

They argued that receipts in Brazil did not merely represent profits hnt often involved advance peyments for hotels and other services made for package tours ehroad. Some carriers were understood to be contemplating halting flights if the decision, taken to protect Brazil's foreign reserves, was not reversed. Pan Am, the troubled US airline already dogged by cash-flow difficulties, is believed to have had over $10m tied up in the country since the new rules came into force at the end of June.

But the exemption for airlines has not dispelled mounting unease among other foreign companies now facing an indefinite delay on the transfer abroad of their profits and dividends. Last week, Mr Arnim Lore, Central Bank director for external husiness, confirmed that these payments would be retained in frozen accounts for "as long as necessary" to prevent a depletion of Brazil's reserves.

Many companies had understood that such remittances were merely being temporarily delayed and held in a queue for release as and when the country's foreign exchange position eased.

However, Mr Lore underlined that the freeze on profit remittances had been clearly spelt out to companies in the June measures and had not then provoked objections. They were related, if indirectly, to Brazil's parallel decision to delay foreign debt interest payments should new funding not be forthcoming from commercial bank and other creditors.

The danger of an inflationary snrge had forced tha authorities to give top priority to maintaining a strong reserves position, he pointed out.

Currently, some $3.3bn in new foreign funding is dependent on Brazil sneccssfully renegotiating new economic targets with the International Monetary Fund (IMF). Without an accord, it has made clear that a $2.3bn debt interest payment to the banks cannot be paid.

Similarly, profit remittances would also have to continue frozen until such time as a deal is reached. This could mean that remittances will be held up until the second half of next year after a new president has taken office.

East German collectors hover over escapees' possessions

By Leslie Colitt in Berlin

EAST German collectors of antiques are rubbing their hands together over the forthcoming sale of the personal effects left behind by thousands of citizens who fled to the West across the Hungarian-Austrian border.

"The collectors are hanging around the A+V (state purchase and sale) stores like vultures," one East Berliner noted.

They are awaiting the release of the possessions which have been impounded in state warehouses. Many a set of fine porcelain, paintings and other heirlooms handed down for generations can be picked up cheaply.

But as so often happened in the past, the collectors may themselves escape one day and find their treasures put up for sale in the A+Vs. Increasingly, the state is selling the most valuable antiqnes, especially Meissen porcelain, to visiting Westerners for hard currency.

The East German state has taken over thousands of flats, houses and furnishings left behind in recent weeks by citizens who fled to the West or who were allowed to emigrate legally. Furnishings are impounded and resold while flats are rented to other citizens.

Houses and private businesses are handed over to a state custodian and are normally rented. Technically, the former East Germans remain owners but neither they nor their relatives in East Germany can touch the income.

The short-term windfall to the state, however, is more than outweighed by the enormous drain in human resources as most of those who leave are young adults.

East Germany, however, is determined to get what it can out of the exodus and is locked in a legal wrangle with Hungary over the ownership of the hundreds of cars abandoned by the East German escapees in Hungary.

The Hungarian authorities set up a car park for many of the vehicles at Sopron near the border but have thus far refused to allow East Germany to retrieve them. As a result many of the Trabant and Wartburg cars have been cannibalised by Hungarians seeking spare parts for their own cars.

Meanwhile Budapest stands to gain economically and politically from a wave of sympathy in West Germany for its assistance to East Germans seeking to escape through Hungary to the West.

Bonn has agreed to help speed up Hungary's economic and political integration with the West.

Mr Gyula Horn, the Hungarian Foreign Minister, paid a surprise visit to Bonn last Friday with the Prime Minister, Mr Miklos Nemeth. He noted afterwards that along with the question of the escaping East Germans, economic and political issues had played a major part in their talks with Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, the Foreign Minister.

No agreements were reached but a "foundation was laid for future accords," Mr Horn said on Hungarian television.

He said Hungary could be part of any arrangement between the two German states to solve the question of the escapees.

Officials in Bonn said Chancellor Kohl and Mr Genscher spoke with the Hungarians about increasing the number of joint ventures as well as future support from Bonn for a Hungarian association agreement with the European Community.

Reed banks on Mexico's prospects

The head of Citicorp talks to Stephen Fidler about new money for debtor countries

IF BANKERS don't like the international debt initiative launched by the US Treasury Secretary in March – and many in Europe have been vociferous in denouncing it – John Reed says they may have brought it on themselves.

Mr Nicholas Brady's decision to refashion the debt strategy brought a new focus on the rednction of bank debts rather than the extension of further loans by banks.

"I think when Brady came in to office a reasonable man would have concluded that the banks were tired of new money and that they were saying you couldn't do any more," the Citicorp chairman said in an interview.

With 80-85 per cent of banks saying such new loans were impossible, Mr Reed said his view was that this was mistaken. He travelled to Washington, to impress it on Mr Brady and Mr Alan Greenspan,the Federal Reserve Board chairman.

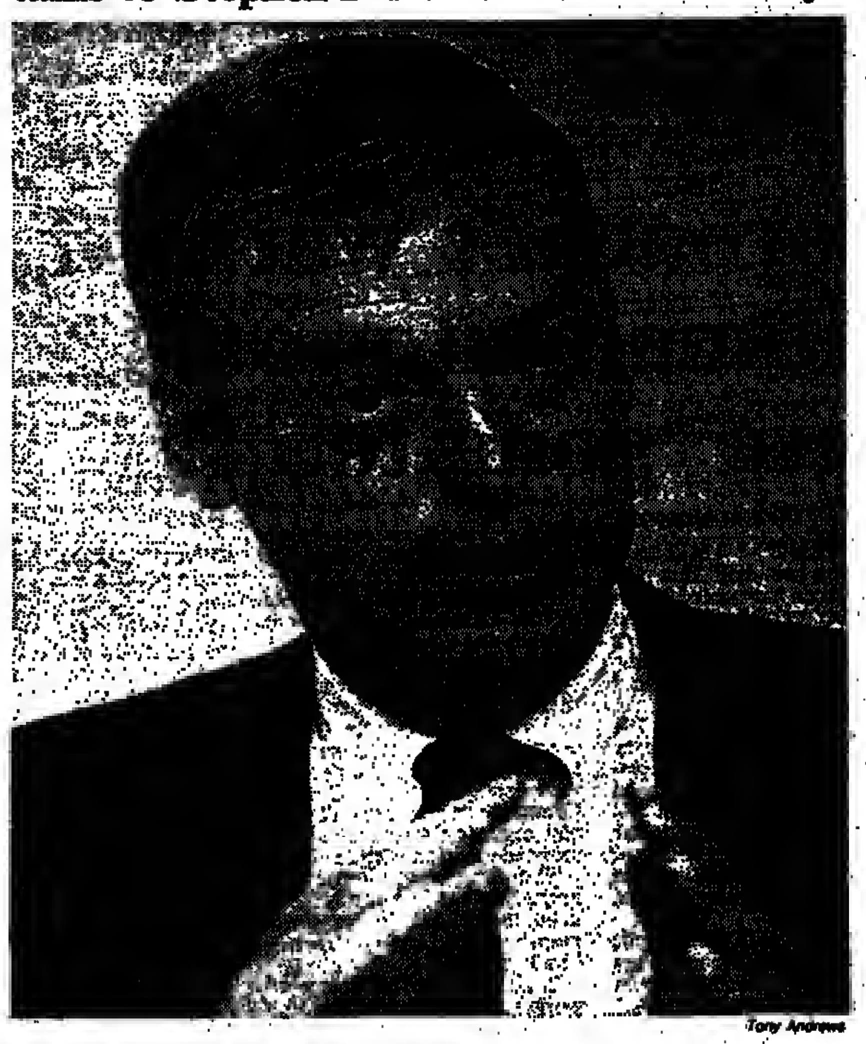
There were, he said, more constructive alternatives. "We had a proposal on Mexico that we actually had written in a book. I'd come to London and we had dinner with the clearers to see if they'd be supportive of a new initiative for Mexico because we knew the Mexican government had to do something."

Now, unfortunately from his point of view, political realities have moved on. Given that "none of us, including the Treasury, had the slightest idea what we were getting into," the Mexican deal reached in principle with leading bank creditors last month was, he said, quite acceptable.

Mr Reed, who met senior clearing bankers and the Bank of England in London late last week before flying to the Far East, said that improved prospects for the Mexican economy were an important element in his bank's decision to make new loans to Mexico, instead of taking the agreement's debt principal or interest reduction options.

He said that inflation appeared to be under control while investment, including some from abroad, was rising. An improved mood was evident in the private sector. Local interest rates, important to the domestic debt burden, had fallen and an estimated $1.5bn of capital had flowed back into Mexico in the first half of the year. The agreement would result in the fixing of interest at 6.25 per cent on an estimated $30bn of bank debt, which would also aid Mexico.

Nevertheless, there were some lessons, including the way the discounts on Mexican debts was negotiated within the bank advisory committee. "I personally doubt that we'll get involved in any more attempts to set a discount rate within a committee structure. The dynamic is very clear. If you try to set a discount rate within a committee, the number that the banks would agree to is very low compared to what the politicians would like to see. This is what happened in Mexico. The banks really were at 25 (per cent discount)."



Tony Andrews

John Reed: "We had a proposal actually written in a book"

Preferable, he said, was the method agreed between the Philippines and its bank creditors, in which the country will invite tenders so it can buy back old loans. From the banks' point of view, hny-backs have the advantage that they provide cash – "the ultimate enhancement" – and a clean exit, of which banks could not be certain under the Mexican deal. He said the Philippines agreement should be closed next month, ahead of the Mexican package, which he hoped would be closed in early October."

He estimated probably 20-30 per cent of the banks would "cash out" of the Philippines. "What the Philippines has more correctly ascertained is that they'll get a better deal for their particular needs by totally getting rid of a smaller set of banks, and getting new money," he said.

A similar deal might be appropriate for Brazil, which – if things go reasonably between now and then – will require new bank loans next spring, perhaps of the order of $5bn, to increase the country's reserves to bolster an anti-inflation plan. In the meantime, the country was entering a difficult period, with a $2.3bn interest payment looming next month and elections for a new administration in November.

He expressed optimism that an understanding could be reached with the International Monetary Fund, on which new loans from commercial banks and others depend. If this occurred, he guessed that the payment would be made over a period and not all on the due date.

"If the new administration comes in next year and they're in arrears to the tune of $4bn – which would he about the number – with the international banks, and they don't have any understanding with the Fund, then it is going to have no flexibility," he said.

Bank negotiations with Venezuela – in interest arrears to banks – were "going to be difficult because they aren't paying and they're clearly going to have to start paying before the banks can talk to them seriously." The government's objectives also needed to be clarified, he said.

He described the debt problem of four countries – Mexico, the Philippines, Chile and Uruguay – as "substantially behind them". But said he foresaw no improvement soon in Argentina's economic problems and agreed Brazil posed a "big question mark."

Asked whether Citicorp would follow the British banks, which moved this month to a 50 per cent level of provisioning, he said that the issue would be kept under quarterly review over the next four quarters. He suggested that a higher level of provisions might be more appropriate for banks "exiting" Third World lending.

He said that the British bank move seemed to be "responding appropriately to the market place," with the banks' share prices rising to more than compensate for the additions to reserves.

"Frankly I look at that. If I thought that hy making a reserve decision, my stockholders were going to pay two or three times for it, I'd have to notice. But I don't think it's per se compelling.

"I do think that some American banks will build their reserves. Nobody has told me privately, but my nose is that there will be some adjustments. The reserve decision in our case has to reflect our view of the economic circumstances and our long-term view of the bank."

Mafia kill Italian politician

By Alan Friedman in Milan

MR Lodovico Ligato, a well-known Christian Democrat politician and former president of the Italian state railways, has been murdered by the N'dranghetta, the Calabrian mafia.

Mr Ligato was forced out of office last year because of a scandal involving a highly suspicious L160bn (£72.2m) contract for disposable railway bedding.

Quite why the Christian Democrat's body was riddled with 30 bullets at the weekend is unclear, but the Italian press was yesterday full of innuendo, suggesting that the former railway chief must have known too much about ties between government contracts and the Calabrian mafia.

Sikh train massacre

Sikh gunmen stormed a passenger train in Punjab state and massacred at least 22 Hindu passengers, police said Monday, AP reports from Amritsar.

At least 30 others were wounded in the attack on the Suratgarh-Bhatinda train, police said, and 10 were in a serious condition.

The English-language Tribune newspaper, published in Punjab's state capital, Chandigarh, said 70 people had died and 150 were wounded in the attack. At least 1,224 deaths this year have been blamed on Sikh radicals in Punjab.

Mozambique plea

Mozambique has made an urgent appeal to the international community for pledges of 184,000 tonnes of food aid to relieve shortages that could become critical within the next four months, Nicholas Woodsworth reports from Lusaka

The appeal, made hy the country's Minister of Co-operation, Mr Jacinto Veloso, comes after the United Nations' World Food Programme (WFP) revealed that although Mozambique made an emergency call for 916,000 tonnes of food at a donor's conference in New York in April, only 387,000 tonnes have so far heen pledged.

The WFP estimates that another 184,000 tonnes are needed to avert the threat of famine.

Strike broken

Government soldiers forced shops to open in Colombo in defiance of a weeklong strike called by Sinhalese extremists, AP reports from Colombo.

Heavily armed soldiers drove around the capital and the suburbs warning shop owners to open. Those store owners who refused to heed the military's demand had the locks of their shops broken.

● Meanwhile, Reuters reports Sri Lankan gunmen shot dead a human rights lawyer, Mr Kanchana Abeypala, at his Colombo flat, police said.

The lawyer appeared in cases involving hundreds of left-wing activists detained hy the security forces.

Japanese loan

Japan will extend a $1bn loan to Mexico to help it combat worsening air pollution in its capital city, Yomiuri Shimbun newspaper said, AP reports from Toyko.

The loan will be the first application of Japan's environmental official development assistance programme, in which Tokyo will provide a total of Y300bn (£1.3bn) in loans for environmental protection in developing countries.

Bonn sends anniversary peace message to Poles

By David Marsh in Bonn

MR Richard von Weizsäcker, the West German President, in a message to Warsaw commemorating the 50th anniversary of the outbreak of the Second World War, promised yesterday that Germany would make no future territorial claims on Poland.

The message, sent in advance of ceremonies marking the Wehrmacht's invasion of Poland on September 1, 1939, underlined German acceptance that Hitler's regime bore sole responsibility for starting the war,

The President said that Poland had had to bear "unparalleled" German war crimes, but also mentioned the sufferings of Germans displaced and killed by expulsion from the East. The conflict "shook Europe to the roots and led to immeasurahle human misfortune."

The importance of of Mr von Weizsäcker's solemn communication to Polish President Wojciech Jaruzelski has been increased by a row in Bonn during the summer, stirred up by the Right, over whether Germany still has residual claims on Poland. As the result of the lack of a formal peace treaty between Germany and the Second World War victors, part of the German Reich east of the Oder-Neisse line, annexed by Poland in 1945, is still legally part of Germany.

Coming down firmly along the lines favoured by Mr Hans-Dietrich Genscher, the Foreign Minister, Mr von Weizsäcker said that the Federal Republic had agreed in the Warsaw Treaty in 1970 to make no further claims to change Germany's eastern boundaries. "Understanding" with Poland would follow the path laid down in the treaty, he affirmed.

Difficulties this summer in talks between Warsaw and Bonn on financial aid for Poland prevented Mr Helmut Kohl, the Chancellor, from making a long-planned trip to Poland. The Chancellor hopes to go later in the antumn, although this will depend on the success of fresh talks with the new government of Mr Tadeusz Mazowiecki.

Pay threat to Swedish economy

By Robert Taylor in Stockholm

WAGE-push inflation will continue to trouhle the Swedish economy at least until 1991, according to Sweden's state-owned PK Banken.

With pay rising on average by 9 per cent this year and a further 7.5 per cent in 1990, prices are set to rise by 6.7 per cent this year and 7 per cent next.

These results will be much worse than io other western European countries except Britain, it predicts.

The report also suggests that Sweden's tax reforms, due to be introduced in 1991, will have an initial inflationary impact because of the rise in indirect taxation on more goods and services. PK Banken emphasises that the level of wage and price increases poses e threat to the country's competitiveness.

At the same time, PK Banken believes the Swedish economy will stagnate with a growth rate of only 1.9 per cent in 1989 and 1.1 per cent next year. The annual growth rates in western Europe outside the Nordic region are predicted to be 3.1 per cent this year and 2.8 per cent next, with figures of 2.7 per cent and 2 per cent for the respective years in the US.

The report also suggests that the rate of investment is set to decline from an average growth of 4.6 per cent this year to a mere 0.4 per cent next and an actual net decline in industrial investment of 2 per cent in 1990 after an average rise of 12 per cent this year.

Sweden's halance of payments deficit will also deteriorate, argues PK Banken, from SKr22bn ($2.1hn) this year to SKr25hn next, though the visihle trade balance looks set to improve over the same period from SKr26.4bn to SKr29.2bn.

It predicts that real disposahle household incomes will rise 3 per cent this year.

Barco denies minister has quit over drugs war death threats

By Sarita Kendall in Bogota

PRESIDENT Virgilio Barco of Colombia has denied rumours that his Minister of Justice, Mrs Monica de Greiff, has resigned. The minister, who apparently received several death threats last week, has gone to the US with her family to report on the country's anti-drug campaign and to explain the Government's need for equipment and assistance. The list inclndes helicopters, vehicles and weapons.

Despite the resignation denial, sources at the Ministry of Justice believe Mrs de Greiff may not return after her two-week mission. Appointed only a month ago, the minister said recently she had taken the post in times of peace, not war. Mr Carlos Lemos Simmonds, the Minister of Communications, is currently in charge at the Justice Ministry.

The panic and confusion among judicial employees has spread through the country. In Cali, judges in charge of juvenile cases received cards with prayers for the dead; they were given a crash course in self-defence and weapons training over the weekend.

Other judges have been sent wreaths, and it is still unclear whether employees striking because of poor working conditions and lack of protection will all go back to work.

Although President Barco published a decree last Thursday to ensure that Snpreme Court voting on the anti-drug package takes place in complete secrecy, those close to the judiciary do not believe this can save the measures.

A decision of unconstitutionality would leave the Government in an even weaker position than before, with dozens of confiscated properties to be returned to the traffickers.

The cocaine cartels retaliated over the weekend with a rash of bombings in the city of Medellin, killing one person. Seven agencies belonging to the Banco Cafetero were virtually destroyed, while dynamite explosions damaged two other banks, and several more bombs were deactivated. Newspapers and radio stations have also received threats.

At the same time, there were numerous marches in memory of Luis Carlos Galan, assassinated by the cartels 10 days ago, showing that the sense of outrage at the senator's death is still alive.

Liberal party candidates for the presidential nomination are to start campaigning again, hnt there will be no political rallies after dark, and the parties are trying to negotiate much bigger television time allowances, so that they can explain their programmes away from the crowded plazas.

Israel uneasy at Colombia link

By Tony Walker in Jerusalem

ISRAEL'S police and security services have launched a full-scale investigation into the involvement of Israelis in training assassins for Colomhia's notorious drug cartels. The inquiry comes amid allegations of a much more extensive Israeli connection with Colomhian drug feuds than was first revealed.

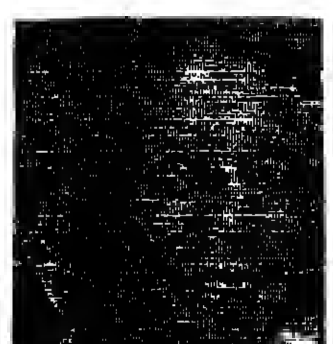
Israeli army radio yesterday carried a report suggesting that security firms worked for rival drug barons and had been involved in planning assassination attempts.

In Israel, qoestioning began yesterday of Colonel Yair Klein, the head of the Tel Aviv-based Spearhead security firm accused of training drugs gang assassins. Col Klein has vigorously denied the allegations, insisting thet he was involved in helping cattle farmers protect their herds.

Israeli officials revealed that Col Klein's firm had been warned several times not to operate in Colombia. They said that the Klein company was in hreach of 1986 regulations that obliged all Israeli security companies exporting their "know how" to secure a permit from the Defence Ministry.

Mr Yitzhak Shamir, the Israeli Prime Minister, said yesterday that while the Government was investigating Israeli involvement in Colombia, he was not convinced there was snbstance to the allegations.

"I don't know if all the information, allegations, incriminations are true," Mr Shamir said. "I know our people. I know our officers. I cannot believe that they have been involved in such crimes."



Col Yair Klein: accused of training cartel assassins

Canadians plan cut in pollution

By Robert Gibbens in Montreal

CANADA is planning its first steps towards meeting its international commitment to reduce carbon dioxide emissions by 20 per cent by 2005.

Carbon dioxide is the major cause of the greenhouse effect, which contributes to the warming of the globe. The International Climate Conference in Toronto last year recommended that the western industrialised countries seek to cut their emissions by 20 per cent by 2005. Carbon dioxide emissions from electric generating plants, industry and vehicles are the main culprits.

Federal and provincial energy ministers met in Toronto yesterday to discuss plans. A week ago, e technical etudy was leaked hy the Friends of the Earth showing that a net economic gain could result from attaining the target, and that the greenhouse effect on the climate could make Canada's Western prairie wheat belt a desert if no action is taken.

The report says that the target is feasible, but that strong government measures rather than market forces will be necessary to achieve it.

Mr John Bennett, a spokesman for Greenpeace Canada, said in Toronto that the study by Papand Group was commissioned by the Federal Department of Energy nearly a year ago to show the feasibility of controlling emissions. The cost of achieving the target reduction would be C$128bn (£69bn) hnt the savings in energy would be worth about C$222bn through a greater efficiency.

A similar study for the UK by the Association for the Conservation of Energy and the World Wide Fund for Nature earlier this year concluded that the UK's contribution could be cut by 23 per cent over the next 15 years.

Perez reshuffles Venezuelan cabinet

By Joseph Mann in Caracas

VENEZUELAN President Carlos Andres Perez made the first changes in his 24-member cabinet last weekend after just over six months in office, adding five new personalities and moving two ministers to other cabinet posts.

Out of the seven appointments, the most significant were the assignment of Mr Reinaldo Figueredo Planchart, formerly Minister of the Presidential Secretariat, to head the Ministry of Foreign Affairs, and the naming of Mr Eugenio de Armas as Minister of Agriculture, replacing Ms Fanny Bello.

These two changes were expected. The Venezuelan press has been critical of the outgoing Minister of Foreign Affairs, Mr Enrique Tejera, for his handling of several issues. And the government is concerned over what is expected to be a major decline in Venezuela's agricultural production this year.

Perhaps more important than the new ministers is the fact that President Perez maintained the key technocrats responsible for designing and carrying out the current economic reform programme.

These include the Ministers of Finance, Planning and Development, as well as Mr Figueredo and the president of the Central Bank.

In other Cabinet appointments, Marisela Padron, formerly Minister of Labour, was moved to Minister of the Family; Edgar Elias Ozuno was named Minister of Transportation; Manuel Adrianza, to the Ministry of Health; German Lairet to the Ministry of Labour and Jesus Ramon Carmona, to the Ministry of the Presidential Secretariat.

The full cabinet resigned last Friday in order to give the President Perez a free hand to make any changes ha had in mind.

Dutch coalition forecast to lose ruling majority

By Laura Raun in Amsterdam

THE Netherlands' Christian Democrat-Liberal coalition government, which is facing general elections next week, could lose its ruling majority by a hair's breadth, according to the latest public opinion poll.

The two partners together would win 75 of the Tweede Kamer's (Parliament's) 150 seats, falling one short of a simply majority, according to the poll released by InterView on Sunday. The centrist Christian Democrats would gain one seat for a total of 55, remaining the largest political party, while the right-of-centre Liberals would lose seven seats and be left with 20.

That could open the way for a centre-left coalition between the Christian Democrats and the opposition Labour Party for the first time in seven years. The early elections on September 6 follow the collapse of Mr Ruud Lubbers' centre-right coalition last May.

The Labour Party would lose one seat and end up with 51. The biggest winner would be Green Left, an umbrella of four left-wing parties, which would jump to nine seats from three. Green Left stresses environmental concerns but is separate from the tiny Green Party and is believed to be siphoning off votes from the Labour Party.

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Hong Kong economic growth slowing

By Michael Marray in Hong Kong

THE RATE of growth of Hong Kong's imports slowed significantly in July, providing more evidence that the growth momentum in the economy is continuing to slow.

This is both as a result of a cyclical slackening of demand for Hong Kong'e products in overseas markets and the repercussions of events in China which have depressed consumer dsmand and are likely to reduce investment in manufacturing plant and machinery.

The Jnly trade figures showed Hong Kong's imports rising by only 9.8 per cent over the same month last year to HK$48.7bn ($6.2bn).

Domestic exports rose by 4.8 per cent to HK$21.1bn, but re-exports soared by 31.1 per cent to HK$31.4bn, reflecting the increasingly important contributions of China trade and Hong Kong-owned manufacturing facilities in aouthern China.

With total export growth outstripping import growth, Hong Kong recorded a visible trade surplus of HK$3.812bn, compared with a deficit of HK$13.47bn for the first half.

The July trade figures coincided with the release by the Government of its latest economic forecasts for 1989, including a downward revision of growth in the Gross Domestic Product to 5 per cent from a previous prediction of 6 per cent in the March budget.

Growth in private consumption expenditure, an important component in the territory's economic surge over the past few years, is now forecast to grow at only 5.5 per cent instead of 7 per cent, with retail sales showing only modest increases.

Although the property market already shows signs of making a recovery, the uncertainty over political and economic policies in China is expected to reinforce the trend of slower economic growth in the short term and has already dampened growth in the important tourism sector.

However, the slowdown linked to weaker demand for Hong Kong made goods abroad is still regarded by the Government as the principal factor at play.

The strengthening of the US dollar, to which the Hong Kong dollar is linked, and the higher rate of domestic wage inflation are also seen as taking the edge off the price competitiveness of Hong Kong's products.

Unemployment in the territory remains low at 1.4 per cent but the official inflation forecast of 3.5 per cent for 1989 has been revised up to 9.5 per cent.

However, the Government believes that inflation will level off as the economy cools down since most of the upward pressure on prices appears to be generated domestically.

Boat people brought under control

By Michael Marray

RIOT POLICE in Hong Kong yesterday used helicopters and landing craft to re-establish control on the Soko Islands, where weekend disturbances by about 1,000 Vietnamese boat people led to 23 policemen being injured and a temporary withdrawal of the police presence from the island.

This latest outbreak of violence involving Vietnamese boat people, during which police fired 41 canisters of tear gas, has led to renewed calls from some local legislators for the British army to be brought in to help over-stretched police and other units in dealing with Hong Kong's 55,000-strong Vietnamess population, most of which lives in closed camps scattered around tha territory.

The incident began on Sunday morning, as police intervened to prevent disorder among Vietnamese living on Tai Ah Chau queuing for their daily rice ration. An altercation followed which rapidly escalated into a violsnt confrontation. Vietnamese, some armed with iron bars, hurled rocks at police who were forced to retreat.

Reinforcements soon arrived by sea and tear-gas fired to bring the situation under control. However, later a decision was taken to remove the police from the island and board them overnight on launches moored offshore. Yesterday afternoon 250 members of the police tactical unit began a sea and air operation and soon regained control of Tai Ah Chau without incident, later beginning a search for weapons.

During the day representatives of the United Nations High Commission On Refugees were brought in to assist talks between police and the boat people.

Chairman gets on his bike to save ailing shipyard

Maggie Ford reports on the rescue package for Daewoo, former showcase of South Korean industry

THE entrepreneurial chairman of South Korea's Daewoo Group, Mr Kim Woo Chong, can be seen daily riding around his giant shipyard on a bicycle.

Previously headquartered in his Seoul office overseeing the operations of his huge conglomerate's many subsidiaries, for the past six months Mr Kim has been forced to devote his entire attention to Daewoo Shipbuilding and Heavy Machinery.

The company has debts of Won1.4trillion ($2.9bn) and last year, when servicing costs reached Won300m a day, the chairman turned to the Government for help.

But instead of receiving an injection of funds or a discreet government-backed re-organisation, long the methods used to support ailing strategic industries in South Korea, he found that times had changed.

The Ministry of Trade and Industry demanded that the Daewoo Group not only contribute Won400bn to the rescue from its own resources, but also re-organise the management of the yard and establish harmonious labour relations with employees. Early this year, after a series of strikes, Mr Kim had no alternative but to take matters in hand personally.

The problems at the shipyard have been caused by a number of coinciding difficulties. Early in the 1980s when South Korea's export-led drive for growth was in full swing, shipbuilding was regarded as a cornerstone of the industrial strategy. Companies were encouraged by the Government to seek market share, and when a slump in shipping prices occurred South Korean companies took orders which were not profitable, nevertheless expecting that they could last ont until the expected upturn in the market.

Although they built the country into the second-largest shipbuilder in the world after Jspan, they reckoned without the speed of the country's growth and the moves towards democracy in 1987.

After nationwide demonstrations forced the Government to hold elections, workers also began to protest against low wages and long hours. Years of authoritarian control produced bitter strikes which were sometimes violent. Daewoo, in common with other yards, has been forced to pay wage rises of more that 20 per cent for the last three years.

In addition, the shipbuilders were hit by an appreciating currency. The Won, undar scrutiny by US policymakers angered by large South Korean trade surpluses, appreciated more than 25 per cent over three years.

The Daewoo yard might have better weathered the storm had it not been for a fourth factor.

In 1985 US Lines, a shipping company which had a $570m contract for 12 container ships with Daewoo, filed for bankruptcy protection. The South Korean company is still owed a total of $231m under export credit guarantees.

The Government's terms for the bail-ont have been quite stiff. The group must raise a total of Won400bn to inject into the shipyard.

This is to be done hy selling four subsidiary companies and real estate, including a large tourist devslopment site, and the building that houses lts headquarters.

Mr Kim must dispose of his personal holding of Won150bn in Daewoo Securities, the country's most prominent stockbroker, to other Daewoo companies. The group mnst raise Won85bn in rights issues on the stock market.

The Government has directed Daewoo to reorganise management and labour relations at the shipyard, which by 1992 is to be merged with Daewoo Heavy Industries, a profitable subsidiary.

In return the Government will reschedule over 17 years Won250bn in loans owed to the state-owned Korea Development Bank, with a seven-year grace period. The KDB will provide Won150bn in new loans, on terms similar to the rescheduled debt, and a number of taxes and other costs will be waived to allow the Daewoo divestments to proceed.

The Government is also expected to make good the Won150bn of payments owed to Daewoo by US Lines. These were guaranteed by the South Korean Eximbank.

The outlook for the company now that the rescue plan is finalised is improving.

On the ehipbuilding side, Daewoo has a six-month backlog of orders due to its labour dispute and is reported to be negotiating a number of new profitable contracts.

In tha longer term it has plans to build a second car plant to make a mini car and to diversify into aerospace and other engineering projects.

The Ministry of Trade and Industry reports that South Korean shipbuilders can expect export prices this year to be 100 per cent up on 1986 levels. Sonth Korean order books in May amounted to 6.2m gross tons, a 99 per cent rise over last year, with a value of $4.1bn, a rise of 130 per cent.

A cloud looms on the horizon, however, in the form of a complaint by US shipbuilders under the Omnibus Trade Bill that rescua plans like the one for Daewoo amount to unfair subsidies.

That complaint will not be followed up until after March next year, if agreement has not been reached.

By then, Mr Kim Woo Chong will probably have put his bicycle away, safe in the knowledge that the struggle to save the yard and his business group as a whole, has been successful. He may, however, have cause to wonder whether such treatment will be available if there is ever a next time.

THE DAEWOO PLAN

COMPANY CONTRIBUTION

Investment of a total of Won400bn (£383m) into Daewoo Shipbuilding and Heavy Machinery (DSHM) raised from:

- Sale of 4 subsidiaries.
- Merger of Shina Shipbuilding with DHSM and sale of Shina's property.
- Sale of Daewoo chairman's holdings in Daewoo Securities.
- Sale of headquarters building.
- Won85bn to be raised by Daewoo subsidiaries on the Korea Stock Exchange.
- Sale of property worth Won150bn by Daewoo Corporation.
- DSHM to merge with a small engineering subsidiary next year and with Daewoo Heavy Industries by 1992.
- Big improvement in managment at DHSM and restraint by workers over pay rises.

GOVERNMENT CONTRIBUTION

- Rescheduling of Won250bn of debt owed to the state-owned Korea Development Bank for 17 years with principal and interest to be repaid after a seven-year grace period.
- New capital injection from Korea Development Bank of Won 150bn on similar terms to the debt rescheduling.
- Exemption from taxes and other legal restrictions relating to the divestments and mergers.
- Restitution to DSHM of the amount insured under Eximbank credit guarantees on the US Lines contract.

Lockheed contract

Daewoo Heavy Indnstries announced yesterday it had signed a $100m (£63.3m) contract with Lockheed to supply fully assembled wings for a US long-range anti-snbmarine aircraft, AP reports from Seoul.

A statement from Daewoo said it agreed to deliver the outer wings for the P-7A long-range anti-snbmarine warfare capability aircraft beginning in 1991.

The P-7A aircraft is an npdated model of the P-3, a four-engine turboprop used by the US Navy for long-range reconnaissance to search for suhmarines, officials said.

Blacks plan five-day strike as South Africa prepares for poll

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S largest black unions have decided to call a five-day general strike to coincide with the country's September 6 general elections.

A weekend conference of the Congress of Sonth African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu) agreed on a stayaway from work to begin next Monday, two days before national elections from which blacks are excluded.

A statement released at the end of the conference referred only to peaceful protest action. However, sources close to the conference said a five-day stayaway had been decided. Under South Africa's emergency regulations, it is illegal to call publicly for a general strike.

The two unions represent more than 1m South African workers. However, workers not affiliated to the two federations have joined in past stayaways and could be expected to do so again.

Last June, the two organised a three-day stayaway to protest at restrictive new labour laws. Some 2.5m workers participated at the height of that strike.

This year's stayaway will also be aimed at tha year-old Labour Relations Amendment Act, which curtails the right to strike and holds unions financially responsible for illegal strikes.

It will also form part of the month-old defiance campaign being waged by the anti-apartheid opposition. Opposition leaders see the stayaway as the climax of their campaign against the elections to segregated houses of parliament for whites, Indians and coloureds (mixed race).

The campaign began with protests at hospital segregation, and has also involved large rallies and defiance of restriction orders imposed on individuals and organisations under South Africa's three-year state of emergency.

Increasingly, protesters have clashed with the security forces. Dozens of police in riot gear were at the weekend union conference, preventing overtly political speeches from the podium and at one point arresting a union member for reciting poetry to the gathering.

Significant resistance to a five-day stayaway is known to have been voiced within the labour movement, with some union leaders douhtful that members would be willing to forego an entire week's pay.

Economic 'soft landing' likely

By Jim Jones in Johannesburg

SOUTH AFRICA'S economy appears to be on track for a soft landing which will provide some relief to the balance of payments and the foreign reserve position, according to the country's central bank.

In its 1989 annual report, the South African Reserve Bank says the soft landing should allow further moderate increases in domestic spending and real output growth.

However, the Reserve Bank warns of several problem areas – principally inflation, the balance of payments current account and excessive government spending. These can be properly addressed only if the current restrictive economic policies are not relaxed prematurely, it says.

The Bank argues that much of the recent rise in inflation should be ascribed to the rand's deteriorating rate in relation to other currencies and autonomous cost and price riaes snch as higher taxes and administered prica increases.

The central bank argues that the acceleration in inflation has less to do with excessive money demand.

It nevertheless believes that the growth in monetary aggregates remains too high, even though it is showing signs of subsiding.

In June the bellwether M3 measure was 24.56 per cent higher than a year before and well above the Reserve Bank's own target range, set in March, of 14-18 per cent.

Foreign reserves are very low – total gold and foreign assets were Rands 5.13bn at the end of July and included just under 3.8m ounces of gold.

The present current account surplus is insufficient to meet large capital outflows and replenish reserves, the Bank warns.

Israel tries to tackle jobless rise

By Tony Walker in Jerusalem

ISRAEL has established a three-man committee headed hy Mr Shimon Peres, the Finance Minister, to give an urgent boost to flagging economic activity in an effort to combat rising unemployment.

Mr Peres, who is also leader of the Labour Party in Israel's national coalition Government, wants to streamline procedures to facilitate the implementation of high-priority investment projects.

The latest unemployment figures showed that nearly one Israeli worker in 10 is unemployed. Figures for April-June showed that 9.5 per cent of the workforce, or approximately 150,000 people, were ont of work.

This represents a 1.2 per cent increase on figures for the first three months of this year, and a jump of 3.5 per cent compared with the April-June period last year. Israel's economy has barely grown at all this year.

The sluggish economy is partly hlamed on the 21-month Palestinian uprising in the West Bank and Gaza Strip. The revolt has had a dampening effect on economic activity in Israel.

● The Knesset Finance Committee has approved an emergency transfer of $50m (£31.6m) to the troubled Israeli public sector conglomsrate, Koor Industries, to help it to cope with its debt crisis.

Koor's debts total $1.25bn. One of its principal creditors, Bankers Trust of the US, last year initiated moves to wind up Koor because of doubts over its ability to service its debts.

France presses for Lebanon ceasefire

By Andrew Gowers and George Graham in Paris

MR François Scheer, secretary-general of the French Foreign Ministry, held talks with Farouq al-Shara, the Syrian Foreign Minister, in Damascus yesterday as France renewed its efforts to defuse the conflict in Lebanon.

Mr Scheer's mission is to present a new initiative hy Mr Roland Dumas, the French Foreign Minister, aimed at securing a ceasefire in Beirut and at reactivating the mission of the Arab League's three-member peace committee. He is also due to visit Beirut and the three Arab League states, Algeria, Morocco and Saudi Arabia.

In a statement on Sunday, Mr Dumas described the prospects for a settlement as "extremely difficult, but possible". His three-point plan calls for a ceasefire accompanied hy a lifting of the blockades on Lebanese ports and "a balanced arrangement" to prevent new arms supplies from reaching the country's warring factions in Beirut by sea or by land; political reforms; and the withdrawal of both Israeli and Syrian troops from Lebanon, starting with a partial Syrian pullback from the Beirut area.

He said a reform of Lebanese constitutional arrangements, under which power is divided along religious lines, was indispensable, but that only the Lebanese themselves could work this out.

Syria and its Lebanese Moslem and Druze allies have until now resisted pressure to lift their blockade of the ports held by Maj-Gen Michel Aoun, the Christian army commander, and have called for the establishment of a committee to inspect incoming cargoes. They fear that without such measures Gen Aoun will take advantage of a ceasefire to bring in fresh shipments of arms from Iraq, his main supporter.

By proposing measures to stop the flow of arms and calling for political reforms, so far refused by General Aoun, France appears to be trying to enlist Syria's co-operation in the hid to find a settlement in Lebanon.

Relations between Paris and Damascus have been seriously strained in recent weeks following the despatcb of a French naval force to the eastern Mediterranean.

Tension appears to have eased as the force is staying well away from the coast. After the withdrawal late last week of two vessels, the French flotilla now comprises the aircraft carrier Foch, escorted by two lighter vessels and a petrol tanker. It will also soon be joined by a landing craft transporter. Only one vessel is sailing within 300km of the Lebanese coast.

ISRAELI jets yesterday staged "mock raids" over a Hizbollah stronghold in eastern Lebanon's Bekaa valley following Sunday's air strike against one of the pro-Iranian gronp's bases in southern Lebanon in which nine people were reported killed, writes Tony Walker.

Israel's attack was believed to have been in retaliation for a suicide car bombing earlier this month of an Israeli military patrol in Israel's self-declared security zone in southern Lebanon.

The White House yesterday condemned the raids bnt said it saw no connection between them and the impasse over hostages held in Lebanon by gronps associated with Hizbollah.

American companies top UN pull-out list

A TOTAL of 277 foreign companies have pulled out of South Africa since 1984, more than half of them from the US, according to a United Nations report released yesterday, Reuter reports from the United Nations.

"United Statas companies ... are more receptive to calls for corporate and social responsibility from shareholders and consumers," the UN report said.

The report is part of a series on South Africa and Namibia prepared for the UN Commission on Transnational Corporations before public hearings in Geneva on September 4.

Over the years, the UN has adopted numerons General Assembly resolutions calling for economic sanctions against South Africa designed to put pressure on the Pretoria government to end the system of apartheid. The only binding resolution prohibits the sale of arms to South Africa.

In analysing the scope of disinvestment from 1984-1989, the Commission was unable to obtain an np-to-date record of companies still in South Africa or their assets.

But it said that all but two of the 10 largest foreign operations in South Africa, measured by numbers of employees, were British-based, led by the Lonrho with 10,000 employees. The two exceptions were Volkswagen and Siemens of West Germany.

The Brussels-based International Confederation of Free Trade Unions said last year that Britain had the largest number of companies in South Africa followed by West Germany, the US, Japan, France and Switzerland.

In comparison to the 122 US corporations which have withdrawn subsidiaries from South Africa since 1984, only 56 British companies and 10 West German groups have followed suit, the new UN report said. But the report pointed out that disinvestment did not always mean companies were cutting their ties with South Africa.

Seoul moves nearer Western tax system

By Maggie Ford in Seoul

SOUTH KOREA is to introduce a widespread overhaul in its tax system, designed to redistribute income, curb speculation in financial assets and boost welfare spending.

The new system, to be ratified by Parliament before going into force next year, will initially aim to curb property speculation. In 1992, after the introduction of laws requiring the use of real names in financial transactions, it will be extended to cover all incomes from financial assets.

The new system, which moves South Korea's fiscal policy towards a Western-style approach, follows budget plans unveiled last week in which the Government proposed a public spending programme to fund welfare benefits and assist the lower paid.

The announcement of the new approach followe criticism of the widening income gap in South Korea. In the past two years, profits from stock market dealings and spiralling land prices have benefited a minority of well-off people at the expense of the middle classes and the poor.

The new proposal is aimed initially at property speculators, along with those who evade tax on unearned income, and will also tighten up the inheritance tax system.

A tax of 50 per cent on windfall profits by individuals or companies from idle land will be imposed, whether the land is sold or not. The Government has been critical recently of companies which have bought property to take advantage of speculative gains, rather than to build new productive industrial capacity.

The new law will also enable investigation of those showing outward signs of wealth, such as expensive houses, foreign cars and golf clnb memberships, but who do not pay tax. The law has been modelled on similar regulations in France and Italy.

Sonth Korea's highest earned income tax rate is now 50 per cent, and this may be reduced. Tax arrangements for foreign companies are also likely to be changed to benefit those introducing high technology.

The Ministry of Finance, which submitted the proposals, said it will study the question of a comprehensive tax on stock market gains, dividends and other financial assets. The South Korean stock market is to be opened to foreign investors in 1992.

● The Sonth Korean economy grew 6.5 per cent in the first six months of 1989, compared with 11.8 per cent in the same period last year, according to the Bank of Korea.

Second quarter growth of 7.4 per cent was boosted by domestic consumption and construction, after a difficult first quarter when strikes and a reduction in invsstment pushed the growth figure down to 5.6 per cent. Manufacturing investment was up 13.3 per cent in tha second quarter. Exports declined by 3.8 per cent.

Iranian parliament set to back Rafsanjani Cabinet

By Kamran Fazel in Tahran and Andrew Gowers in Paris

THE Iranian Majlis (parliament) is set today to give President Ali Akbar Hashemi Rafsanjani a political boost by approving the most important members of the Cabinet team he presented 10 daya ago.

Rafsanjani: political boost

After a three-day debate featuring much criticism of ministers-designate and protests from radical deputies at the exclusion of leading hard-line politicians, voting in tha Majlis may reject one or two of the appointees but is expected to leave the broad lines of the proposed Cabinet intact.

Mr Rafsanjani will thus be working with a largely centrist team of technocrats with the explicit aim of reviving Iran's economy – and the implicit purpose of improving relations with outside powers.

Dafending the Cabinet choices on Sunday, Mr Rafsanjani said ha had consulted members of the three main trends in Iranian politics before naming them and had specifically selected non-partisan professionals. At least four of the new ministers have degrees from US universities, while four are clerics.

The new President appears to have ontmanoeuvred his radical critics by dropping Hojatoleslam Ali Akbar Mohtashemi, the Interior Minister and the leading hard-liner who fiercely opposes a rapprochement with the West. Mr Ahdollah Nouri, the new Interior Minister, also belongs to the radical camp but has less political clont.

Mr Rafsanjani, with customary wit, even went so far as to claim that the move was not aimed against Mr Mohtashemi.

Curiously enough, some of the harshest criticism in the Majlis has been directed at Dr Ali Akbar Velayati, the relatively moderate Foreign Minister, who received a strong endorsement in his post during the last round of Cabinet changes.

The prince and the commoner Tokyo-style

FOR the prince and the commoner, it will be a marriage made in Japan, with a media blitz expected of any royal romance - the reporters hnddled outside her apartment and the news helicopters buzzing his palace.

Yesterday there was a deep bow for the cameras by the bride-to-be, and a hint of controversy over the prince's older, hut unmarried, brother.

Prince Aya, 23, second-in-line to the Chrysanthemnm Throne and student of zoology at Oxford University, is to marry Kiko Kawashima, 22, a psychology major who apparently won the prince's heart dnring a university clnb excursion last year to study old warehouses.

Nothing is official until the Imperial Houschold Council confirms the engagement in a fortnight, bnt the Japanese Government has already hegun allocating funds to huild a royal residence.

Robert Thomson looks at Japan's reaction to news of a forthcoming royal wedding

The most striking point for Japanese is tbat tbe conple seem to have an ordinary relationship, a friendship of five years end ohvious affection, which is another sign that the once deified imperial family is working towards a status in Japanese society close to that of Britain's royal family. It has already been revealed that the present emperor, Akihito, stops at traffic lights and pays taxes.

Emperor Akihito married a commoner 30 years ago, but csused a fuss from disapproving traditionalists. This time around, no fuss about the choice of an ontsider (there aren't many eligible insiders anyway), and, as one editorial pnt it, "the vast majority of Japanese will see yet another reassuring sign of a new and more open imperial household".

Bnt there is controversy. The announcement comes during the official mourning period for the late Emperor Hirohito, who died in January, and some Japanese think the timing a tonch indiscreet. And there is the awkward question of Crown Prince Naruhito, 29, and single.

Naruhito, first-in-line to the throne and the subject of mnch speculation abont potential partners, has been a role model for modern-minded Japanese men under pressure from families to marry early.

A 30-year-old Tokyo bachelor and businessman said that the engagement of the 23-year-old prince would probably encourage his own parents to raise the marriage issne again.

On September 12, the Imperial Honeehold Conncil, headed by the Prime Minister, Mr Toshiki Kaifu, will formally consider the marriage application and approve a date, probably next spring.

Mr Kaifn has pre-empted the meeting by announcing: "I would like to share with the Japanese people the joy of celebrating their planned marriage."

The so far silent Miss Kawashima, who speaks English and German and spent part of her childhood in the US and Austria, has been variously described by the Japanese press as cosmopolitan, confident, strong-willed, cultured and "an ideal homemaker" who is "not the kind of person who shouts out her opinions".

Professor Yoshikazu Sakamoto, of Meiji Gakuin University's international studies faculty, was threatened by right-wing activists at the time of Emperor Hirohito's desth for condemning his spiritual status.

The professor said the engagement has "contribnted to the demystification of the imperial family".

"The prince's stay in Oxford has been very inflnential. He has seen the British royal family, and likes this trend towards popularising the imperial family," Professor Sakamoto said.

Sri Lankan troops seek to halt strike

SRI LANKAN troops emashed open shuttered shops yesterday in an attempt to hreak a general strike called hy left-wing guerrillas, Reuter reports from Colombo.

The Government has told state workers they will not he paid unless they work.

Offices and shops closed and moet people stayed indoors at the start of a strike called by the left-wing People's Liberation Front, which has tried to topple the pro-Western Government of President Ranasinghe Premadasa for the past two years. A Reuter correspondent saw troops smash open shops with crowbars and rocks.

OVERSEAS NEWS

Launch of TV satellite marks new era in space

By Roderick Oram in New York and Raymond Snoddy in London

THE FIRST satellite owned by British Satellite Broadcasting was blasted into space from Cape Canaveral, Florida, on Sunday evening, opening a new era for commercial exploitation of space.

It was the first commercial launch of a satellite following President Ronald Reagan's decision in the wake of the Challenger shuttle disaster in 1986 to bring private enterprise into space activities. All previous satellite launches were by government agencies.

BSB's Marcopolo 1 satellite was put into orbit by a Delta rocket built and owned by McDonnell Douglas, the US aerospace group.

The US Transportation Department's office of commercial space development said it expected a further six more private launches this year and 27 between now and 1993.

General Dynamics and Martin Marietta, two other US aerospace contractors, are competing with McDonnell Douglas for private launches. All three companies are adapting rockets they had built for some time for the country's military and civilian space programmes such as the Titan and Atlas.

The US groups are challenging Arianespace, the consortium owned by the 11 European governments that make up the European Space Agency. Arianespace has launched many of the world's commercial payloads such as telecommunications satellites.

Marcopolo 1 will take several days to reach a point about 23,300 miles above the equator where it will be in geosynchronous orbit.

It is the first of two satellites BSB will use to beam television programmes to the UK in competition with Mr Rupert Murdoch's recently launched Sky satellite television service. BSB is a ventnre in which Pearson, publisher of the Financial Times, has a stake.

Marcopolo 1 and 2 are 2,700lb, 24ft-long, spaca vehicles huilt for BSB by Hughes Aircraft, a subsidiary of General Motors. The building and launching of the two satellites is costing BSB $300m.

The satellite is likely to be "parked" in orbit for up to six months. Delays in completing the development of the microelectronics for both the receiving equipment and the descramblers for the subscription channel forced BSB to postpone its programme launch until March, if the reception equipment is available in large enough quantities.

The next big test for BSB will be to see whether it will be abe to launch its second satellite later this year; more than six months ahead of schedule.

A two-satellite system from the outset will enable BSB to deliver its five television channels to a Squarial, a flat aerial measuring not mnch more than 12 inches square.

EC drops probe of Japanese excavators

By Tim Dickson in Brussels

THE EUROPEAN Commission announced yesterday that it had decided to close an anti-dumping procedure involving Japanese imports of small hydraulic excavators without taking punitive action.

The move follows an extensive investigation by Brussels which concluded that there had been "no injury" to domestic producers despite the dominant market share of Japanese exporters.

The anti-dumping complaint was lodged in April 1986 by four Community producers, Ecomat, J C Bamford Excavators, Macmoter and Vermeer Holland, which alleged that imports of hydraulic excavators under six tonnes in weight were being dumped and causing injury to their industry.

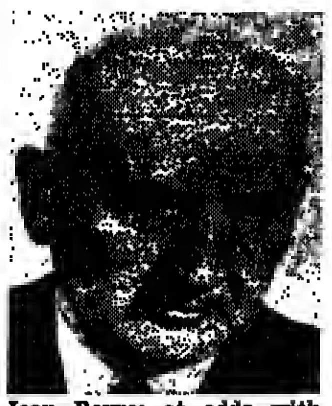
The Commission's inquiry found that since the EC industry was subsequently able to increase production, capacity, capacity utilisation and market share, thereby allowing positive financial results to be achieved, "no material injury had been caused to the Community industry."

A epokesman pointed out yesterday that the market for small hydraulic excavators had expanded rapidly in the last few years and that this trend was expected to continue.

He said that this was the third anti-dumping complaint against Japan which had recently been terminated without measures being taken. The others concerned cellular mohile telephones and wheeled loaders.

OBITUARY: JEAN REYRE

Freewheeling banker became spiritual mentor of Paribas


Jean Reyre: at odds with financial establishment

MR JEAN REYRE, the principal postwar architect of the Paribas investment banking empire, has died in Paris at the age of 89.

One of France's leading dealmakers, Mr Reyre joined Paribas in 1924 and reigned as its undisputed master from 1948 to 1969. Often at odds witb the French financial estahlishment, however, be was only appointed chairman in 1966, before being ejected by his board three years later.

As creator of the freewbeeling Paribas house style, Mr Reyre retained the intense loyalty of his staff and is still acknowledged today as a sort of spiritual leader by Mr Michel François-Poncet, Paribas' current chairman.

"He was very personal in his style and loved to put people into competition with each other. He influenced us by his sense of urgency and his capacity to make people work at night and at weekends," said Mr François-Poncet.

"He got up late, often arriving at the office late in the morning," recalls Mr Pierre Moussa, another successor as chairman of Paribas, who, was also forced to resign.

"He also worked late – all of Paribas worked very late under his chairmanship. And after leaving the office, be haunted the theatres, the restaurants and tbe nightclubs before going to bed. His physical resistance was fabulous," Mr Moussa writes in his autobiography, La Roue de la Fortune.

Credited with helping to save Paribas from nationalisation along with France's leading commercial banks in 1947, Mr Reyre then had to fight off a determined bid to gain control by Lazard in 1954.

Expanding Paribas into new investment banking markets and developing its international networks, he also led its bid in the 1960s to turn into a universal bank, with an ambitious plan to take control of three commercial banking networks – Credit dn Nord, Credit Industriel et Commercial and Credit Commercial de France.

The plan set him once again against the French establishment and pitched Paribas into battle with its investment banking rival, Suez, leading to his ejection in 1969.

Twenty years later, Mr Reyre was still regretting "all the opportunities I missed," but he left an important mark not only on Paribas but on the French banking and financial industry in general.

George Graham

Finance chief arrested

By Chris Sherwell in Sydney

THE National Companies and Securities Commission (NCSC), Australia's share market watchdog, failed twice yesterday to prevent Mr Laurie Connell, former head of the collapsed Rothwells finance house, leaving the country.

The action, first in the Perth magistrates court and then in Western Australia's atate supreme court, followed Mr Connell's arrest on Saturday on four charges in connection with the 1986 and 1987 Rothwells annual reports.

The charges allege that the reports contained false statements about the group's profits, failed to disclose certain loans and were published with the intention of deceiving shareholders and creditors.

Mr Connell, who denies the charges, was released on bail of A$1m and a surety for another A$1m. The NCSC's unsuccessful action sought the quashing of a court order made last week approving Mr Connell's departure for Britain last night.

On Sunday Mr Connell called the arrest a "disgraceful political stunt" by the Western Anstralian government, declared he had been "on the receiving end for too long" and vowed "to go on the attack." Yesterday he lodged more than 270 writs against a number of Australia newspapers and broadcasting outlets over their coverage of his affairs.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		July '89	June '89	May '89	July '88
UK (£bn)	exports	7.728	7.876	7.623	6.721
	imports	10.190	9.790	9.363	9.287
	balance	-2.462	-1.914	-1.740	-2.566
Japan (US$bn)	exports	22.233	22.715	21.493	22.037
	imports	17.197	17.624	17.885	15.816
	balance	+5.036	+5.091	+3.608	+6.221
		June '89	May '89	April '89	June '88
US ($bn)	exports	30.914	30.455	30.759	26.706
	imports	39.085	40.534	39.045	37.304
	balance	-8.171	-10.079	-8.286	-10.598
W. Germany (DMbn)	exports	56.30	51.70	52.70	49.80
	imports	43.90	41.50	41.80	35.60
	balance	+12.4	+10.2	+11.1	+14.2
France (FFrbn)	exports	97.20	92.62	93.70	84.75
	imports	100.00	99.26	97.39	85.20
	balance	-2.80	-6.64	-3.69	-0.45

Stalemate in pilots' dispute

By Chris Sherwell

THE AUSTRALIAN domestic pilots' dispute remained stalemated yesterday as the Canberra government and the two main airlines tried to provide a skeleton service.

The government said a US charter aircraft and crew would shortly begin flying airfreight and the plan might later involve passengers. Last week overseas airlines were allowed to extend existing operations inside Australia.

Domestic airlines said they had 300 responses to weekend newspaper advertisements at home and ahroad for flight crew. But the pilots' federation said none came from its members.

Pilots last week refused to end their disruptive 9am-5pm work schedule and responded to tough government and employer tactics by resigning en masse. The dispute is over a 29 per cent pay claim, well beyond official guidelines.

Burmese state groups in joint trading venture

By Chit Tun in Rangoon

THE Burmese Government has authorised formation of a joint enterprisa between three state-owned trading companies and Burmal Holdings of Malaysia, pursuing its new policy of welcoming foreign investment in Burma.

Known as Myanmar-Malaysia International with headquarters in Rangoon, the joint venture has an authorised capital of Kyats 100m (£9m) to be subscribed 40:60 by the Burmese and the Malaysian partners. Its business will be production, assambly, and marketing, both at home and abroad, of miscellaneous goods and also to act as commission agents.

The three Burmese partners of the enterprise are the General Merchandise Trading, the Vehicles and Vehicle Accessories Trading, and the Construction and Electrical Stores Trading, all state-owned.

This is the second joint venture company of its kind formed since the Burmese government announced its new foreign investment policy last November, the first being the Myanmar-Singapore International formed earlier this month between two Burmese state firms and SKS Marketing of Singapore with an authorised capital of Kyats 50m.

UK NEWS

Management at Trident plant will be reformed

By David White, Defence Correspondent

MANAGEMENT reforms to the nuclear warhead facility at Aldermaston, Berkshire, will not follow the pattern chosen for other defence research establishments, officials said yesterday.

Full privatisation has already been ruled out. Nor will the reforms will be based on the formula of a semi-autonomous agency used for non-nuclear research establishments, which will be able to seek outside work.

The management changes, designed to overcome critical difficulties in recruiting and retaining the qualified staff needed to meet deadlines for the Trident nuclear programme, will be based on a study undertaken by Sir Francis Tombs, chairman of Rolls-Royce.

The commissioning of the review was seized upon at the weekend by Mr Martin O'Neill, Labour Party defence spokesman, as an admission by the Government of "severe shortcomings" in the Trident programme.

The Ministry of Defence said the report, not yet completed, was due "quite soon." It is believed to have been commissioned last month at the instigation of the Prime Minister's office.

Ministry officials denied that there had been a deliberate attempt to keep the review secret. They said the MoD regularly sought advice from industry. John Brown Engineering, National Nuclear Corporation and British Nuclear Fuels had already provided support at the Aldermaston Atomic Weapons Establishment.

However, this is the first time the ministry has had recourse to management rather than operational advice.

Aldermaston handles the design, development and production of Britain's nuclear warheads. A £1bn factory is under construction to replace current facilities for producing fissile materials – plutonium and uranium – for the weapons.

The scope of the review is limited to Aldermaston and does not cover the rest of the £9bn Trident programme for submarine-launched missiles to replace the UK's Polaris strategic deterrent.

The MoD has ruled out full privatisation because, in the words of one official, "the type of work is not suitable to be done by a private company."

Officials also indicated that the new Defence Research Agency, in which four non-nuclear research establishments are being grouped in an attempt to achieve greater flexibility and an arm's-length relationship with the MoD, would not be used as a model.

Aldermaston would not be in a position to seek outside work as the new research agency was being encouraged to do, they said.

The Commons Defence Committee gave a warning recently that the Trident programme might suffer delays if staffing shortfalls were not overcome. About 160 warheads are required for each of the four planned Trident submarines, the first of which is due to become operational in 1994.

● An employee at a Cardiff plant making nuclear weapons componants bas been suspended while an investigation into fraud allegations is carried out, the Ministry of Defence has confirmed.

ITV central scheduling unit sought by Granada

By Raymond Snoddy

GRANADA TELEVISION, one of the "big five" ITV companies, has appealed for the creation of a national programming, commissioning and scheduling unit which could have a budget of about £400m a year.

The Granada initiative at the Edinburgh Television Festival at the weekend is the most powerful support so far for the idea of a central commissioning unit as an alternative to the present ITV networking system.

The hig five companies – Thames, London Weekend Television, Central, Granada and Yorkshire – control about two thirds of the nationally networked programmes.

Enormous tensions have been caused through conflicts of interest between companies that are both buyers and sellers of programmes within the ITV system.

Mr Steve Morrison, director of programming at Granada, argued: "Let's have a network umpire, or umpires, and a level playing field where only the quality of programmes would count."

Under such a system, a "significant proportion" would come from the smaller regional companies.

Mr George Russell, chairman of the Independent Broadcasting Authority, has made clear that he would like to see a reformed ITV network in place before the anction of ITV franchises gets under way in 1991.

Mr Russell – who will also be chairman of the Independent Television Commission, the body that will replace the IBA – believes that without an acceptable network it will be very difficult to judge the programme plans of hidders for the new 10-year franchises that will run from 1993.

He also emphasised his attachment to high programming standards in the auctioning process and a wide range of sanctions he would have available to enforce the promises of bidders.

Although the ITV companies would be judged on their continuing performance, they had the advantage of having already proved they could make quality programmes and could run a franchise.

The IBA chairman also warned that the sanctions available to enforce promises would include the possibility of reducing the franchise period by one or two years as well as fines, forfeiture of performance bonds and, ultimately, the removal of the franchise itself.

UDR given baton-round guns

By David White

GUNS THAT fire plastic bullets have recently been issued to the 6,500-strong Ulster Defence Regiment, army officials in Northern Ireland said yesterday.

They emphasised, however, that no change would be made to the policy of not committing the regiment, which is mostly made up of part-time soldiers, to crowd control or riot duties in cities.

Controversy over the use of plastic baton rounds in Northern Ireland by the Royal Ulster Constabulary and the army has grown since the death of a 15-year-old Belfast boy on August 9 – the 14th fatality from the weapons since they were introduced in the province in the early 1970s.

The army said the UDR had not used the guns so far except in training. The weapons were intended to enable UDR members "to defend themselves if they are attacked in the course of their duties in support of the RUC."

The UDR's rules of engagement for using the weapons would be the same as those for the regular army. These rules are officially secret.

The decision to give the UDR baton-round guns was authorised by Mr Tom King, before his transfer from the Northern Ireland Office to the Ministry of Defence in July.

Among the security forces in Northern Ireland, the UDR, which has a mainly Protestant membership, is the least accepted hy the Roman Catholic nationalist community.

European PC sales 'will grow by 50%'

By Hugo Dixon

EUROPE'S personal computer market is expected to grow by 50 per cent this year and 32 per cent next year in value terms, according to a report published today by Barclays de Zoete Wedd, the stockbroker, and Dataquest, the market researchers.

They say such a growth rate is much faster than the stock market is expecting. Many investors believe the personal computer market is stagnating, they say; but the continuing strong growth rate is a positive factor for the share prices of personal computer businesses.

The continuing fall in component prices means that manufacturers will be able to cut prices by between 10 and 15 per cent this autumn without any erosion of margins.

However, the optimistic view adopted by BZW and Dataquest is not reflected in the performance of Amstrad, the UK's largest indigenous personal computer maker.

The company, which has already seen its share price fall dramatically over the past year, has about £300m of stock in its warehouses. To shift the stock, it will have to cut prices and will face an erosion of margins because it bought the components at earlier high prices, according to the report.

BZW and Dataquest, which plan to co-operate regularly on joint reports for the electronics industry, are particularly enthusiastic about personal computer distributors, which they say have been underrated by the market.

English belfry retains peal appeal

Congregations decline, but Eric Short finds bellringers keeping busy

LAST Sunday, my grandson was christened in the local village church in Buckinghamshire. As family and friends approached the church, they were welcomed by a peal from the church bells, rung in honour of the occasion.

Tha bellringers at Marsh Gibbon may not have matched tha majestic ringing that greeted the Prince and Princess of Wales wben they emerged from St Paul's Cathedral after their wedding, but they highlighted the role of bells in churches and cathedrals as an integral part of services in tbe Church of England.

A tolling bell heralding the start of a service is common througbout the Christian world. However, a very strong image of Britain is evoked by the sound of a peal of bells ringing for perhaps half an hour over the countryside on a summer Sunday evening, calling worshippers to Evensong.

In fact, it is an image of England rather than Britain, since there are only 15 churches in Scotland and 167 in Wales with a peal of bells compared with 5,425 in England – about a third of all churches.

Bellringing is still a popular pastime, even though church attendances are stagnant. Computers have evan baen employed to aid the complex bnsiness of ringing the changes.

A peal of bells needs a bell tower – a design incorporated into the huilding style of Church of England churches. In contrast, very few free churches or even Roman Catholic churches have a tower.

Only a few secular peals of bells in Britain are regularly rung – including the 12 bells at Manchester Town Hall and 10 bells at the Commonwealth Institute in London. The heaviest bell in the UK, weighing 83 cwt, is the tenor at Liverpool Cathedral.

The art of bellringing (the expression "campanology" is for the layman) is very much a British invention. Peals of bells in continental European countries are often hung as a carillon to play some form of tune.

The British style of bellringing involves ringing bells in sequence from the treble (the highest pitched note) to the tenor (the lowest). These are known as rounds. The ringers then go through a series of changes in the order in which the bells are rung – hence the expression "change ringing." The timing of the strike of the bell is all-important.

Bells are not tolled from the down position, but from the inverted, up, position, from which they are swung in a full 360-degree arc. The momentum enables the bellringer to have far more control over the bell and the timing than is possible otherwise.

By holding up the swing of one bell and accelerating the swing of another, it is possible to change the two adjacent bells in the order of ringing while maintaining an even timing or strike in the ringing.

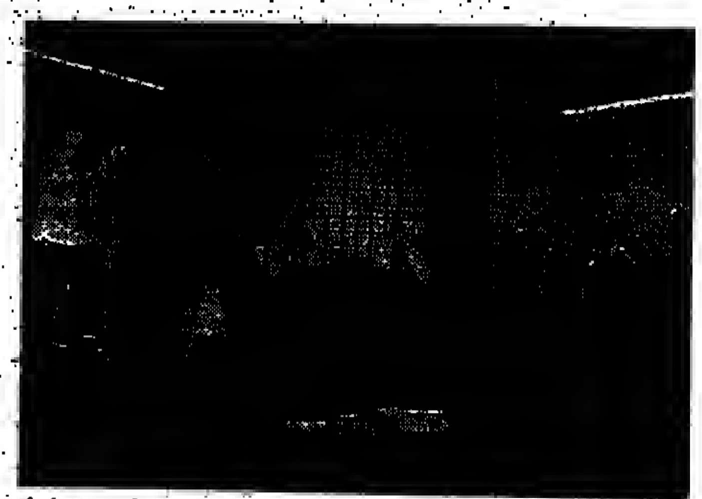
Indeed, the two basic objectives of change ringing are perfect timing with an even strike on each round; no bells should clash when changing position and there should be no repeat in the sequence in which the bells are rung until the possible permutation of changes has been completed.

IMAGES OF BRITAIN


Bellringing

The number of bells in a tower can range from five to 12, with six or eight being the more frequent number in normal churches and 10 or 12 being found in cathedrals or bigger churches with a large enough tower.

On five bells, the number of changes that can be rung is 120. For six bells it is 720, rising to 5,040 for seven bells, 40,320 for eight bells, 3,628,800 for 10 bells, and 479,001,600 for 12 bells.


A team of bellringers at St Paul's Cathedral in London

It takes some 18 hours to ring the 40,320 eight-bell changes – a feat that has been recorded only twice. Much more common is the ringing of a peal, which must have at least 5,040 changes and takes at least three hours, or a quarter peal, which takes just over an hour.

Changing the order of the ringing of the bells requires someone in the team, known as the conductor, to call out the changes and remember the sequence to avoid duplication.

So the sequence of changes was developed into patterns, known as methods, which all members of the ringing team can learn. With those, changes can be rung with a minimum of control and guidance from the conductor.

Change ringing developed as long ago as the 17th century, when Fabian Steadman published a book about 1630 called the Art of Change Ringing. He is known as the father of change ringing and one of the early methods is named after him. Since his time, many different methods of change ringing have been devised; each one carries the name of the band, church or place where it was first rung.

To ensure that no duplication occurred, the deviser of the method had to sit down and write out each round of the method and then meticulously check each to ensure no duplication. Methods are now put through a computer, an approach that not only saves time but has helped in discovering errors in some.

Bellringing has expanded beyond being part of church services, which is one possible reason why this activity has not declined to the same extent as church attendance.

About two thirds of the churches with bells have their own active bellringing teams, many of whom are not active members of the church in other capacities.

It is not unknown, when bells are run for Evensong, for the service to be attended by three or four worshippers while the ringers adjourn to the local pub.

The attitude of the clergy towards bellringing is varied. The Ven George Cassidy, Archdeacon of London, referring to the bells of St Paul's Cathedral, views bellringing as a reminder to the world at large of the call to worship and a suitable way of proclaiming the glory of God.

Some clergymen, however, regard bells as irrelevant to worship and a drain on scarce resources. They will tolerate the bells and tower only if the ringers finance and maintain them.

Whatever the view, bellringing is thriving and, in towers throughout Britain, the treble ringer will for many years to come begin a simple round or a three-hour peal with the call: "Look to, treble's going, treble's gone."

UK NEWS

Labour steps up attack on Lawson over interest rates

By John Mason

LABOUR PARTY economic spokesmen continued their attack at the weekend on the Chancellor of the Exchequer's high-interest-rate policy and warned of growing risks of a "hard landing" for the economy.

The attack, by Mr John Smith, the Shadow Chancellor and Mr Gordon Brown, Labour's Treasury spokesman, is widely seen as an attempt to maximise Mr Nigel Lawson's discomfort after the most recent trade figures and during the approach to the Conservative Party conference.

When the Tories meet in Blackpool in October, Mr Lawson is set to maintain his firm stance that interest rates will remain as high as needed to bring down inflation.

However, he is widely expected to receive strong warnings over the impact of his high-interest-rate policy on both businesses and voters.

Mr Smith said the government's errors and failure to invest had led to an "appalling" set of trade figures.

He said that with growth slowing down, inflation staying high and a serious deficit, Britain faced a troubled economic future.

He blamed the Chancellor's "politically motivated boom" and tax-cutting 1988 budget for increasing demand well beyond the ability of British industry to supply.

"Britain has not invested in skills or new technology or in our under-developed regions. The results are now all too clear."

Warnings of gloom: John Smith (above) blames Nigel Lawson for a "politically motivated boom"

In a letter to Mr Lawson, Mr Brown demanded an explanation of five independent forecasts which he said undermine government claims of an improvement in the economy.

The forecasts, published by the Treasury, all predict a drop in investment in 1990.

Three of the forecasts, from the Midland Bank, Goldman Sachs and the National Institute of Economic and Social Research, predict a drop of at least 2 per cent next year.

Mr Brown asked Mr Lawson whether he can still hold to his prediction of a 3 per cent rise in investment in 1990.

"These forecasts suggest a depressing outlook for the economy and competitiveness next year that is the direct result of nine interest rate rises in the last 12 months," he said.

Notting Hill sees fewer revellers and violence

By Joel Kibazo

THIS YEAR'S Notting Hill carnival – Europe's biggest outdoor festival – which was held yesterday turned out to be a more subdued event than its predecessors. Police said it had been the most trouble-free.

There were fewer floats and musicians and masqueraders than in previous years, and numbers attending were down, although they had started picking up by 5pm – two hours before the carnival's official closing time.

Many carnivalgoers blamed the poor attendance on a huge police presence all along the route of the procession.

Many, moreover, also blamed the new organisers, the Carnival Enterprise Committee, which has stated publicly its desire to turn the festival into a well managed and profitable event.

One reveller, who declined to be named, said: "The police and the new organisers have combined to take the heart out of the carnival."

For those attending this year's event, however, nothing was going to deter them from having what one reveller called "our Caribbean party."

He added: "As far as we are concerned, we are not in London today, but in the Caribbean."

Almost every colour was represented in the lavish and elaborate costumes on display, many of which had taken the best part of the year to tailor.

The infectious rhythms of the steel bands, without which no carnival is complete, were very much on show, and many bands displayed the names of their sponsors, such as the London Electricity Board and Baring Securities.

Older blacks danced to the sound of calypsos, but down the All Saints Road – said to be the heart of the black community in Notting Hill – there was clear evidence of the changing nature of the carnival.

Youngsters, black and white alike, rocked to the modern sounds of "hip hop" and "house music," where once only Caribbean calypso or reggae was the order of the day.

Along the street, stallholders sold patties, fried chicken, salted fish and coconut cake – traditional Caribbean delicacies. But many complained about the £100 being charged for the stalls by the CEC.

Publicans in the area also complained that business was down this year.

Police said that in terms of crime figures, this had been "the most trouble-free carnival for the last 24 years."

There were 39 arrests this year, down from 68 in 1988, and the number of reported crimes was down to ten this year, from 58 last year.

Three policemen had needed first aid, but were not seriously hurt.

The carnival's organisers said last night that it was too early to tell whether the event had made a profit.

Equal treatment urged in accident cases

By Robert Rice, Legal Correspondent

A UNIFORM worldwide "compensation regime" to prevent accident victims from contriving to exploit the world's most generous compensation systems was called for yesterday by one of the UK's leading disaster and product liability lawyers.

Mr David McIntosh said the regime could also iron out inconsistencies in compensation laws.

He warned the 33rd Congress of the Union Internationale Des Avocats in Interlaken, Switzerland, that the availability of large sums of damages for the personally injured and bereaved, along US lines, would create appetites on the parts of consumers and regular plaintiffs' lawyers that would militate against a sensible balance between the interests of consumers and of manufacturers and suppliers of goods and services.

Unless international legal organisations seized the initiative in establishing a uniform compensation regime, the debate for change "will be monopolised by those who only represent the minority interests of the victims of blameworthy accidents," he said.

"Surely we should be arguing in favour of a less extravagant solution available to everyone who suffers an injury as a result of the vicissitudes of life and not just for the victims of negligence."

Europe faced a decade of increasing civil litigation, with a series of new actions in respect of AIDS, smoking, tranquillisers, legionnaires' disease and pollution.

The concept that "the polluter pays" was particularly likely to be strongly enforced throughout Europe.

In the context of the corporate manslaughter charges brought against P&O European Ferries, Mr McIntosh said it was right that those at the top should be forced to face up personally and publicly to their own culpable neglect.

The risk of personal censure and criminal convictions were far more likely to heighten emphasis on accident prevention, emergency planning and safety generally than were inquests into civil liability after the event, he said.

The Zeebrugge prosecutions had come too late, however. They should have immediately followed the public inquiry, he said. It was also quite wrong to prosecute the company and the individuals involved for the consequences of the disaster rather than breaches of safety rules.

Governments needed to finance safety authorities adequately to ensure effective policing of safety standards. They also needed to follow up by prosecuting companies or individuals who fell below the standards, Mr McIntosh said.

Law 'twinning' aids Third World

By Robert Rice

A PLAN to promote the rule of law and legal literacy throughout the Third World is to be launched by the International Bar Association in October.

The plan follows the success of a number of pilot "twinning" projects between the bar associations of rich and poor nations.

The twinning concept involves close and direct co-operation between the bar associations. It goes hand in hand with a financial commitment by the government and bar association of the developed nation to assist bar associations and law societies in developing countries to improve their ability to give legal advice and assistance.

Funds in twinning projects can be spent on establishing legal aid plans; training lawyers, after qualifying as well as before; setting up law libraries; helping to publicise people's basic legal rights; setting up and running bar associations; and making it possible to bring in technology for running the courts.

The first successful twinning project between the Norwegian and Nepalese Bar Associations has resulted in a five-year plan costing about $250,000 (£159,000) to set up a number of legal aid and literacy projects in Nepal.

The $30,000 annual expenditure is being funded 20 per cent by the Norwegian Bar Association and 80 per cent by a Norwegian Government development aid organisation.

On June 1 this year, 36 bar associations had expressed an interest in twinning projects. Six further twinnings have been arranged.

In Australia, the Law Society of the Australian Capital Territory has entered into a twinning arrangement with the Western Samoa Law Society, the Law Society of New South Wales with the Bar Council of Malaya, the Law Society of Western Australia with the Bar Association of Bangladesh, and the Law Institute of Victoria with the All China Lawyers' Association.

The Law Society of Scotland has entered into a twinning project with the Law Society of Kenya.

In the US, the Cleveland Bar Association is twinned with the Philippine Bar Association, the Louisville Bar Association with the Ecuadorian Bar Association, the Maryland State Bar Association with the Colegio de Abogados de la Ciudad de Buenos Aires, the Bar Association of Metropolitan St Louis with the All China Lawyers' Association and the Boston Bar Association with the Peking and the Shanghai Lawyers' Associations.

BMA renews poster drive against Clarke

THE BRITISH Medical Association yesterday launched a poster campaign attacking Kenneth Clarke, the Health Secretary, over the Government's planned reforms to the National Health Service.

Posters to be displayed at more than 1,000 sites throughout Britain will carry the message: "What do you call a man who ignores medical advice? – Mr Clarke."

The posters also spell out doctors' worries about reform plans. They say: "The doctors believe the NHS white paper will damage patient care."

Two other posters forming part of the BMA drive to publicise proposed changes have been on display since the end of last month. The £750,000 campaign, devised by advertising agency Abbott Mead Vickers, runs until October.

Dr John Marks, chairman of the BMA council, said: "We must have proper pilot schemes to test these untried ideas. Mr Clarke is the one in charge and we believe he ought to listen to the public, whose health service it is."

PM's electricity role denied

By John Mason

OFFICIALS from Downing St and the Department of Energy are playing down reports that the Prime Minister has personally intervened to ensure that the privatisation of the 12 electricity distribution companies goes ahead next spring as scheduled.

Both departments denied any knowledge of Mrs Thatcher applying pressure on Mr John Wakeham, the Energy Secretary, to avoid a delay to the flotation.

Press reports at the weekend had claimed that the Prime Minister was willing to accept the distribution companies' fetching a lower price for the sake of keeping to the original timetable.

The Department of Energy yesterday admitted that the privatisation timetable was under review. However, it insisted that it still hoped the plans for the original schedule would be met.

The distribution companies were originally set to be sold in May 1990 with the two generating companies following in autumn 1990 and spring 1991.

However, there has been deep-seated concern over the highly complex contract system to be negotiated between the generators and the distributors.

The intricacy of the system, which is designed to promote competition within the industry, has led to fears that the flotation of the distributors might be delayed by as much as six months.

Such a delay might then create a hold-up for the sale of the first generating company, which is expected to be National Power.

The worries over meeting the privatisation deadline centre on the concern of the distribution companies that they might find themselves losing the business of their large industrial customers to the generating companies.

Ashdown shrugs off poor poll showing

By John Mason

MR PADDY ASHDOWN, leader of the Social and Liberal Democrats, yesterday shrugged off the latest opinion poll, putting the SLD's national standing at 4 per cent, and a gloomy report on the party's prospects. He insisted that he would not be put off by "short-term distractions."

The MORI poll result, he said, was unremarkable and showed that the SLD's standing was largely unchanged from previous polls. However, he pointed out that support for the Green Party had fallen by more than half since its peak at the elections for the European parliament.

Mr Ashdown refused to comment on a report prepared for the party, saying that the SLD appeared to have no idea why it was losing support and that it lacked any strategy to reverse the position.

He said the report was of "no particular status" within the party.

The SLD leader said the party had faced similar tough positions before.

Its task was to stake out the new policies of Britain, he said. It should concentrate on doing that, proceeding step by step, and not let itself be distracted by short-term considerations.

The report was carried out by two party members for Mr Matthew Taylor, MP for Truro and the the SLD's communications strategist.

It said the new party was looking "tired and jaded" and had failed to live up to its original promises.

Durables suffer in spending downturn

By Christopher Parkes, Consumer Industries Editor

SALES of expensive consumer durables are continuing to suffer badly from the downturn in spending, according to new figures from the John Lewis Partnership, one of Britain's leading department store chains.

Sales of electrical goods for the 13 weeks to August 12 were more than 13 per cent lower than in the comparable period last year.

Furniture sales fell by 2 per cent and carpets and other floor coverings were down by 1.4 per cent.

Only the Edinburgh store, among 23 outlets, managed an improvement – of 1.5 per cent – in sales of electrical appliances. In London, the Peter Jones shop in Chelsea was down 19 per cent on last year and John Lewis by 23 per cent.

The figures suggest serious declines in mainstream lines such as home laundry and dishwashers. But refrigerators sold well in some stores and sales of small appliances and vacuum cleaners were satisfactory.

Fans and ice cream makers, however, beat expectations.

Beds and bedroom furniture had a disappointing quarter, the partnership said, although it hoped the trade had "bottomed out."

The poor state of the housing market was blamed for difficulties in furnishings, including carpets, which were particularly badly affected in London during the review quarter.

More recent figures, for the three weeks to August 19, suggested some further deterioration as the holiday season reached its peak.

British Airways to launch self-service shuttle ticket

BRITAIN'S first self-service air ticket machines are to be launched for British Airways shuttle passengers on September 4, the airline said yesterday.

The machines will issue a boarding pass when passengers insert a plastic card, issued in advance by travel agents, and key in their destination. The passenger settles the bill with the travel agent at a later date.

The move was announced as part of revamp to fare structures on shuttle flights between London and Edinburgh, Glasgow, Manchester and Belfast.

The standard fare is unchanged, but the airline has cut some prices and introduced others that it claims undercut those of British Midland, the main domestic airline rival.

Hand-knit companies seek comfort from cold

By Alice Rawsthorn

THIS TIME last year, the only consolation for the hand knitting industry, shell-shocked after two years of declining sales, was that things would probably get no worse.

But the laws of probability failed the industry. Matters did get worse.

The mild winter, followed by this year's long, hot summer, has been disastrous for a sector that depends on chilly temperatures to persuade people to stay indoors knitting woolly jumpers.

A new report from the TMS Partnership shows that sales of hand-knitting yarn fell by 9 per cent to £258m in the 12 months to June. That fall follows two years of sluggish sales for the spinning mills that produce knitting yarn.

The hand-knitting market enjoyed healthy growth in the early 1980s and reached its peak in 1986. However, fashion then swung away and the market declined.

The difficulties the decline presented were worsened by saturation in the hand-knitting market, which is dominated by Patons & Baldwins, part of the giant Coats Viyella textile group, and Sirdar.

When business was booming in the mid 1980s, many established manufacturers increased capacity. New companies – such as the Tootal Craft subsidiary of the Tootal textile group – also moved into the market.

Dwindling demand was made worse by oversupply. Tootal Craft has since retreated from hand knitting. Other companies have been forced to resort to short-time working and redundancies.

This time last year the market had stabilised.

The unseasonal weather, however, has ruined the industry's hopes of a revival. Far from being reversed, the decline in sales accelerated in the first half of this year.

All the industry can do now is to hope that the long, Mediterranean-like summer will be followed by a longer, cold winter, so people will be tempted to pick up their needles and start knitting again.

The Hand Knitting Yarn Report. TMS Partnership, 182 Upper Richmond Road, London SW15 2SH. £2,300 for four quarterly reports.

FORECASTS FOR THE UK ECONOMY

(Unemployment, average over period. Balance of payments and PSBR in £bn; PSBR for financial years 1989-90 and 1990-91. Interest rates fourth quarter. Retail price inflation; year to fourth quarter. Others are percentage change over 12 months. Dash indicates information not available)

		Gross Domestic Product		Consumer spending		Manufacturing output		Fixed investment		Retail price inflation		Unemployment Millions		Balance of payments current account		Public Sector Borrowing Requirement		Interest rates (3 month interbank)		Exports volume		Imports volume	
	Date	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989-90	1990-1	1989	1990	1989	1990	1989	1990
Treasury	Mar	2.6	2.5	3.5	2.0	3.5	1.5	4.5	3.0	5.5	4.5	–	–	-14.5	-12.0	-14.0	-10.0	–	–	4.5	7.0	4.5	3.0
Confederation of British Industry	Aug	2.0	2.1	3.5	1.4	4.0	2.4	5.9	1.2	6.7	5.1	1.8	1.8	-17.2	-13.0	-14.0	-13.1	14.0	11.0	4.2	8.4	8.9	1.9
DRI Europe	Aug	1.3	2.3	2.7	0.3	3.9	2.8	5.9	-2.5	7.0	4.8	1.8	1.9	-17.8	-12.8	-10.3	-7.5	14.5	12.8	3.1	5.4	3.5	-2.0
European Commission	Jun	2.4	2.1	3.6	1.9	4.7	4.8	8.8	3.1	5.8	5.3	1.5	1.5	-16.8	-16.1	-17.9	-16.8	13.0	13.0	2.7	5.8	6.4	4.0
Henley Centre	Aug	2.1	1.7	3.2	1.8	3.9	1.9	4.1	2.0	8.4	5.5	1.8	1.8	-16.0	-14.1	-11.5	-11.9	12.9	12.7	4.0	4.4	6.6	5.1
Ernst & Whinney ITEM Club	Jun	2.2	2.1	3.1	1.5	4.6	0.6	6.5	0.3	7.4	5.8	1.8	1.5	-18.9	-14.1	-17.5	-17.6	14.0	12.0	4.5	5.2	8.4	1.7
Liverpool University	Aug	2.5	3.4	1.1	1.8	–	–	–	–	7.5	4.1	1.8	1.6	-12.7	-8.5	-16.0	-16.5	13.2	11.2	–	–	–	–
London Business School	Jun	1.9	2.7	3.2	2.2	4.8	4.1	5.7	3.2	7.0	5.4	1.9	2.0	-15.7	-13.5	-15.5	-15.6	13.0	11.0	4.3	7.2	6.6	2.5
National Institute	Aug	2.4	1.9	3.6	1.8	3.8	-0.8	6.0	-2.5	7.4	6.4	1.8	1.8	-18.3	-15.8	-14.0	-13.8	14.0	14.0	5.6	8.2	11.0	2.7
OECD	Aug	2.25	2.0	3.25	2.5	6.0	1.75	5.75	3.25	6.75	5.25	–	–	-16.25	-16.75	–	–	–	–	3.5	5.0	6.75	4.75
Oxford Economic Forecasting	Jul	2.5	2.2	3.5	1.0	5.2	2.2	7.8	2.7	6.9	4.9	1.8	1.9	-16.8	-11.7	-14.3	-15.1	12.6	11.0	8.7	8.0	0.1	2.9
Barclays de Zoete Wedd	Aug	2.5	1.8	2.9	1.8	4.5	1.0	6.5	2.0	7.0	3.8	1.8	1.8	-15.0	-10.0	-14.0	-9.0	14.0	10.5	6.0	8.0	7.5	2.0
Credit Suisse First Boston	Aug	2.1	2.5	3.5	2.3	4.5	4.5	5.0	3.1	6.5	4.5	1.8	1.7	-16.0	-10.5	-14.5	-12.5	13.9	10.5	6.1	6.0	5.4	4.0
Goldman Sachs	Aug	2.2	1.9	3.6	1.5	4.6	1.4	9.2	-2.0	7.2	6.6	1.5	1.8	-17.5	-13.5	-16.2	-13.0	14.0	11.0	5.4	7.1	9.8	2.7
Greenwell Montagu	Aug	2.4	2.1	3.0	1.5	4.1	1.7	7.5	1.1	8.0	5.7	1.8	1.7	-16.0	-18.0	-16.0	-17.0	14.5	12.75	4.4	6.3	7.0	1.1
Hoare Govett	Aug	1.8	3.2	3.7	3.0	4.0	3.5	6.0	6.0	5.4	4.2	1.8	1.7	-14.5	-10.4	-15.0	-19.75	12.5	10.0	3.6	7.3	9.9	4.5
James Capel	Aug	2.6	1.3	3.4	0.9	4.5	1.0	7.1	-1.5	7.0	5.0	1.8	1.9	-16.3	-10.5	-13.8	-13.0	14.25	10.5	6.6	6.0	5.9	0.5
Lloyds Bank	Aug	2.0	1.7	2.2	1.8	4.5	2.5	6.4	1.1	7.0	5.6	1.8	1.9	-13.0	-15.0	-13.0	-12.0	13.5	12.0	4.0	5.5	8.0	3.0
Morgan Grenfell	Aug	1.8	1.9	3.3	2.3	4.2	2.1	5.5	5.6	7.2	6.7	1.8	2.2	-16.8	-14.0	-14.8	-17.4	13.9	11.9	4.2	6.5	11.8	3.6
National Westminster	Aug	2.5	1.5	3.2	1.4	4.5	3.0	5.1	1.0	7.3	5.1	1.8	1.8	-18.0	-12.0	-14.0	-10.0	14.0	10.9	6.2	8.0	8.8	3.0
Phillips & Drew	Aug	2.3	1.3	3.5	1.2	4.0	1.0	6.2	-4.1	7.4	5.5	1.8	1.9	-15.6	-11.8	-15.4	-11.9	14.0	12.5	5.5	6.7	8.6	-0.9
Shearson Lehman Hutton	Jul	2.6	2.5	3.25	1.7	4.6	2.9	7.7	2.9	6.9	5.3	2.0	2.0	-15.2	-10.2	-11.0	-8.0	14.0	12.0	5.7	8.2	8.7	3.6
Warburg Securities	Aug	2.5	2.5	3.4	2.4	3.8	2.4	4.0	2.8	6.9	4.6	1.9	1.9	-17.1	-14.2	-12.0	-12.5	14.0	12.0	5.5	6.6	7.0	3.0
FT average		2.2	2.1	3.2	1.7	4.4	2.2	6.1	1.2	6.9	5.1	1.8	1.5	-16.7	-12.9	-14.4	-13.8	13.7	11.7	4.9	6.3	6.3	2.5
Average of City forecasts		2.3	2.1	3.2	1.8	4.3	2.3	5.2	1.5	7.0	5.1	1.8	1.8	-16.9	-12.3	-14.3	-12.9	13.9	11.4	5.3	6.5	5.6	2.5

NOTES: Treasury: 1990 forecasts based on first half, with RPI is for second quarter. GDP: Treasury, compromise measure. DRI, Liverpool, LBS, National Institute use output measure. Others use average measure. Consumer spending: Liverpool, non-durable consumption. Retail price inflation: Liverpool, av for year; OECD, average consumer prices. EC consumer price deflator, av for year. Interest Rates: Liverpool, Treasury bill average for year. CBI, DRI, LBS, Hoare Govett use base rates. National Institute, Treasury bill. EC, short term, end of year.

Fears of poor investment tempered by exports hope

By Ralph Atkins, Economics Staff

GLOOMY predictions for next year's UK investment and consumer spending have been offset at least partly by optimism about strong export growth, a Financial Times survey published today shows.

Since the last publication in April of the survey of leading forecasting organisations, estimates of consumer spending and investment in 1990 have been revised downwards.

Some believe that investment will actually fall and that consumption will be almost stagnant.

This latest study, which includes 22 independent forecasting groups plus the Treasury, shows expectations of economic growth slowing this year and next. The average independent estimate for total fixed investment growth and consumer spending growth next year are 1.2 per cent and 1.7 per cent respectively.

Inflation is expected to ease slightly, but not to fall below 5 per cent until at least the end of 1990.

In spite of the slowdown, growth remains relatively robust as production is diverted overseas. Exports are expected to grow strongly, rising by about 5 per cent this year and by more than 6 per cent in 1990. In contrast, import growth is expected to slow sharply.

Those trends suggest that the impact of high interest rates on the domestic economy will be to force companies to increase exports in order to take advantage of relatively strong growth in other countries.

Forecasts for the current-account deficit next year have consequently been revised down a little. The average forecast for 1990s deficit, at about £13bn, is £500m lower than in April.

Most forecasts in the survey were compiled before last week's trade figures showing a £2.1bn current-account deficit in July – the second-largest record. The average forecast for this year's current-account deficit was almost £17bn. In 1988, the deficit reached £14.6bn.

Steep falls in unemployment in the last three years are assumed to have virtually halted. An average unemployment total of about 1.8m is expected this year and next.

Forecasters have had to revise upwards forecasts for interest rates since April. The average three-month interbank rate of a little under 14 per cent suggests base rates will not be cut before the year's end. By the end of 1990, the survey points to a cut of about 2 percentage points in interest rates.

Hoare Govett's relatively optimistic forecast for inflation at the end of this year, however, assumes a modest cut in mortgage rates.

Ironically, independent forecasters' predictions for the public-sector borrowing requirement surplus (or debt repayment), which in April suggested that the Treasury was out on a limb, have been revised downwards. They are back towards the Treasury's estimate of a £14bn debt repayment this year.

However, there is a health warning needed on the survey's results. The FT average is a simple unweighted average that takes no account of different methods used to measure economic variables. Treasury forecasts made at the time of the March budget are not included in the averages.

Nor has any account been taken of different assumptions underlying economic models used by forecasting groups. Revisions are likely to recently published data, particularly trade and gross domestic product statistics, which could undermine forecasters' projections.

UK NEWS

Form of spot market considered

Plans discarded for electricity market system

By Max Wilkinson, Resources Editor

A SYSTEM for organising a privatised electricity market which was due to be implemented from October 1 has been found to be unworkable and is being discarded.

The two sides of the industry – generating companies and distributors – could not agree on a method of sharing financial risks.

The Government has therefore told the two sides to find a new solution as soon as possible. A draft of a new system which is much closer to an ordinary spot market is being discussed.

Computer programmes were devised and a vast amount of analytical work undertaken to prepare the wholesale markets system but bankers and consultants found it difficult to understand. They feel its financial consequences in a world of competitive electricity companies would be unpredictable.

Under this system the 10 distributing companies would have contracts for electricity supplies from power plant owned by the two generating companies, National Power and PowerGen.

Distributors would pay a fixed charge for the right to the output of a plant as well as fuel costs when they needed power. However, the Government insisted that the running of power stations should continue to be scheduled in a "merit order" of efficiency, as under monopoly ownership.

The contracts could not guarantee this, so advisers worked out a computerised system for distributors to swap contracts in a co-operative "pool" acting as a single purchaser. A similar co-operative pool for generators would allow them to fulfil contracts as if they were a monopoly supplier.

This two pool system is now expected to be replaced by a unified pool similar to a conventional spot market.

Large generating companies would be required to offer power to the pool at prices close to the running cost of each plant, thus preserving the "merit order" and preventing them colluding to edge prices up. Smaller generators, however, could offer any price they liked. All successful bids would be paid at the price of the highest bid accepted, as in an ordinary spot market.

The main difference of the new system is that all wholesalers will pay the same price for electricity at any given time, rather than hundreds of different prices, according to the terms of individual contracts. However, anybody could have a long term power contract at a special price, as in other markets.

The new power pool will not be a completely free market. Wholesalers will be allowed to buy electricity from the pool only if they have a tradeable certificate entitling them to buy a specified amount.

These certificates can be purchased directly from generators and are intended to compensate them for that part of their fixed capital costs which cannot be recovered from spot prices paid in the power pool.

The certificates will be traded continuously in a "capacity market." Any distributor with too few capacity certificates for the power it needs to buy will be charged a "capacity deficiency payment" set by the government-appointed regulator.

The regulator, under the new scheme, can encourage the industry to keep a "safety margin" of spare generating capacity by requiring distributors to hold capacity certificates for, say, 20 per cent more power than they need to buy.

The new proposals, circulated earlier this month, will be discussed in detail during the next few weeks. However, the October 1 deadline for the operation of a shadow market in electricity cannot possibly be met, and plans for the privatisation are expected to be deferred for at least six months.

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Report suggests boom in worker output slowing

Productivity growth 'faster in unionised companies in 1980s'

By Charles Leadbeater, Labour Editor

BRITAIN's unionised companies had faster productivity growth in the early 1980s than their non-union counterparts, according to a set of reports published today which throw into doubt many commonly held assumptions about the impact of unions on the economy.

The reports, mainly based on a detailed analysis of annual accounts from 127 manufacturing companies between 1972 and 1986, suggest the surge in productivity growth in the early 1980s may be running out of steam.

They show that by 1985/1986 unionised and non-unionised companies had roughly the same rate of productivity growth.

The reports, by economists from Oxford University, the London School of Economics and University College London, say unionised plants were far more likely to have introduced changes to working practices and work organisation between 1984 and 1987.

They were also more likely to have invested in both conventional machinery and new technology, incorporating micro electronics, probably because the restrictive practices which had previously deterred investment were done away with.

As unionised plants were more likely to have had sweeping organisational changes in the 1980s, involving the abolition of managing agreements, they were also more likely to have had job losses.

However, only unionised plants which went through organisational changes were more likely to have lost jobs. Among plants which did not have organisational changes there was no difference in the employment performance of union and non-union plants.

The reports say that it is doubtful that much of the faster productivity growth of the early 1980s was due to the Government's trade union legislation. The union legislation of the 1970s, which favoured union recognition and the closed shop, appeared not to have damaged productivity growth.

The authors of the report suggest that the severity of the recession between 1979 and 1981, with workers facing rising unemployment and managers under pressure to improve corporate performance, were far more powerful influences on productivity.

Working papers, nos 1149, 1151 and 1165, as well as the fourth paper The Effects of Unions on Organisational Change Investment and Employment: Evidence from WIRS, are available from the Centre for Labour Economics, LSE, Houghton Street, London WC1. The authors were Professor Stephen Nickell, Oxford University, Mr Sushil Wadhwani and Mr Martin Wall, LSE, and Mr Stephen Machine University College London.

Eagle Trust traces £10m payment to adviser

By Philip Coggan

EAGLE TRUST, the troubled industrial holding company which is the subject of a Serious Fraud Office inquiry, has traced a payment of £10m to SBC Savory Milln, the group's then financial adviser, in December 1987.

The payment was made through a company called Automotive Industries (UK), which used Ryco Trust, a Jersey-based company, as its secretary and which was based at Ryco's address.

It is not clear whether the £10m payment was made in the normal course of business between a company and its finance adviser or whether it was made for some other purpose.

No-one at SBC Savory Milln was available for comment yesterday.

A number of companies which have business links, or substantial shareholdings in Eagle, were based at Ryco's address. Ryco has refused to answer questions about its links with Eagle.

The Serious Fraud Office is investigating Eagle's affairs. Eagle initially asked the Department of Trade and Industry to look into a sum of about £13.5m which cannot be traced by its auditors.

Meanwhile Eagle has received an approach from Henry Ansbacher on behalf of a client. The merchant bank said the approach was made "on very general terms" but an Eagle spokesman said the proposal involves the possible injection of capital and sale of certain subsidiaries.

On Friday, Mr Andrew Fitton, chief executive of Braithwaite, the industrial services company, said that he would be interested in buying certain of Eagle's subsidiaries. Ansbacher acts as financial adviser to Braithwaite.

Mr Malcolm Stockdale, Eagle's new chairman, is understood to want to hold on to the group's remaining businesses.

Any sale in current circumstances would be at distress prices, he believes.

However, there is understood to be opposition to Mr Stockdale's chairmanship from other members of the board.

Iroquois Brands, the US company of which Mr Stockdale is also chairman, has refused to pay for a 12.9 per cent stake in Eagle Trust until the current financial investigations are finished. Iroquois controls just two seats on the seven-man Eagle board.

British Rail ready for big push into telecommunications

By Hugo Dixon

BRITISH Rail, the state-owned railway corporation, is lobbying the Government to let it make a big push into telecommunications in competition with British Telecom and Mercury Communications.

BR has built up one of the most extensive and modern telecommunications networks in Britain to run its signalling system and serve internal needs. It wants the freedom to exploit this network commercially by selling space on it to third parties.

The Department of Trade & Industry and the Office of Telecommunications have so far refused this request on the grounds that they promised Mercury no new competitors would be introduced into the mainstream telecommunications market until November 1990.

However, BR is pushing to be allowed into the market thereafter, when a big review of telecoms policy is due to start. "We would expect to be in the front of the queue next November," said Mr Peter Borer, BR's newly-appointed director of commercial telecommunications.

Mr Borer, who joined BR in July from Kingston Communications, has been brought in to spearhead the company's drive into telecoms. The move is part of a wider campaign by BR to convert itself into a more entrepreneurial organisation.

BR's telecoms network, which is thought to be worth several hundred million pounds, consists of 2,000km of fibre-optic cable, 150 computerised switches and 63,000 extensions. This makes it of equivalent size to Mercury's network, which has 2,600km of fibre-optic cable – much of it laid alongside BR's tracks.

The network could prove a formidable competitor to BT because BR has tentacles into every city centre in the country, making it easy to lay new cables wherever it wishes. And because the network is based on the latest fibre-optic technology – which has almost unlimited capacity – there is plenty of space which BR is not using for its own needs.

As part of next year's review of telecoms policy, the DTI and Oftel are expected to introduce as much competition as the market can stand.

BR would then like either to set itself up as a rival operator or to sell capacity on its network to rival operators.

BR's other telecoms plans include:

- Providing infrastructure for Britain's new personal communications networks which are intended to create a mass market in mobile communications.

Because BR would not be allowed to do this under the current regulations, it is unlikely to be part of one of the consortia which are currently bidding for licences. However, the systems are not due to start until 1992, so BR expects eventually to become a partner or a supplier to at least one consortium.

- Making its 2,400 railway stations available to the UK's four telepoint operators as announced last week. Telepoint is a new pocket-phone service, which allows people to make calls if they are within 100 metres of small radio transmitters which will set up at convenient locations in some parts of the UK.
- Routing most of its own long-distance telecoms traffic through the BR network. At present, only internal calls go through the network.

GKN offers pay rises up to 20%

By Michael Smith

GKN SANKEY, the automotive components maker, is offering potential pay rises of more than 20 per cent to skilled workers at its main plant – providing they agree to a flexible working package.

The rises would be introduced in stages over a period of up to 18 months and would be on top of annual pay rises. Management at the plant in Hadley Castle, Telford, say any deal would be self-financing.

The management expect it to increase the factory's productivity by more than 10 per cent.

About 300 of 2,000 workers at the plant would be eligible for payments of up to £35 a week, assuming productivity targets are met. They include electricians, toolmakers, maintenance fitters and pipe fitters. The company says their present weekly pay is about £170.

Mr Roy Collett, general manager for the engineering products division, said yesterday that talks with unions had progressed well over the past few months. He said introduction of the agreement would probably be delayed, however, by the national campaign by engineering unions for a 35-hour week.

Food companies praised

By Christopher Parkes, Consumer Industries Editor

MULTINATIONAL food and drink manufacturers score highly as providers of jobs and emerge as progressive, even generous, employers in a report from the Geneva-based International Labour Organisation.

General policy among the 100 biggest companies in the sector – which are expected to account for 75 per cent of the world's processed food output by 2000 – was to ensure that wages and working conditions at least matched local standards.

The report, to be published in the next edition of ILO Information, said trade unions in developing countries considered that the multinationals were better payers than the local companies.

Fringe benefits were also better: some groups had pioneered profit-sharing schemes, company-sponsored housing and other incentives.

DIARY DATES

Trade Fairs and Exhibitions: UK

September 3-6
Top Drawer Gift and Decorative Accessories Exhibition (01-727 1929)
Alexandra Palace

September 3-7
International Autumn Fair (01-855 9201)
Olympia

September 5-8
Internationel Carpet Fair (021-705 6706)
Exhibition Centre, Harrogate

September 5-8
Offshore Europe Exhihition and Conference (01-549 5831)
Aberdeen

September 10-13
International Menswear – MAB (01-437 8754)
Earls Court

September 12-14
Point of Sale, Merchandising and Display Exhibition and Conference (01-340 3291)
Business Design Centre, Islington

September 12-23
Antiques Fair (04447 2514)
Chelsea Old Town Hall

September 15-23
International Boat Show (0703 737311)
Southampton

September 17-18
DIY Trade Show (01-302 8585)
Earls Court

September 17-19
Gallery 89 - Framing and Fine Art Market (01-855 9201)
Olympia 2, London

September 18-22
International Handling & Storage Exhibition (0895 58431)
NEC, Birmingham

September 18-19
International High Definition Television Exhibition – HDTV (01-931 9985)
Tara Hotel, London

September 19-22
International Helicopter Technology & Operations Exhibition (01-549 5831)
Redhill Aerodrome

September 25-28
International Police Exhibition & Conference (01-446 8211)
Barbican, London

September 26-27
Independent Power Generation Conference and Exhibition - INPOWER (0737 768611)
Heathrow Park Hotel

September 27-October 1
Personal Computer Show (01-486 1951)
Earls Court, London

September 29-October 1
National Franchise Exhibition (01-727 1929)
NEC, Birmingham

October 3-5
Transport and Distribution Services Show and Conference (01-868 4466)
Wembley Exhibition and Conference Centre

October 19-20
Law Society National Conference and Exhibition (0423 530588)
Exhibition Centre, Harrogate

November 27-30
NEWSTEC '89 - The Newspaper Society's exhibition and conference dealing with market led technology in newspaper production (01-636 7014)
The Brighton Metropole

Overseas Exhibitions

Current
World Fair for Beverage Technology - DRINKTEC-INTERBRAU (01-948 5166) (until September 1)
Munich

International Audio and Video Fair (01-930 7251) (until September 3)
Berlin

September 3-9
International Autumn Fair (0375 392222)
Leipzig

September 4-9
Show of the Nations Exhibition (01-977 3474)
Vienna

September 13-14
Pre-Press Exhibition (0372 373161)
Copenhagen

September 13-17
International Fisheries Industry Exhibition (01-948 9900)
Nantes

September 14-24
International Motor Show – IAA (01-734 0543)
Frankfurt

September 17-20
International Hardware Show - QUOJEM (01-225 5566)
Paris

Sept 25-Oct 1
International Technical Fair (01-836 5219)
Plovdiv

Sept 28-Oct 3
International Robotics, CAD/CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566)
Paris

Business and management conferences

September 3-7
European Society for Opinion and Marketing Research 42nd ESOMAR congress (Amsterdam +31.20.6642141)
Stockholm

September 6
Tolley Conferences: Payroll manager's review (01-680 5682)
London Press Centre

September 11
The Industrial Society: Annual hours – principles into practice (01-262 2401)
London

September 12
CBI Conferences: Pay and performance (01-379 7400)
Centre Point, London

September 13-14
Financial Times Conferences: World Motor (01-925 2323)
Hotel Inter-Continental, Frankfurt

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

TODAY
BOARD MEETINGS-
Finals;
Genbel Invs.
Interims;
Astec
DIVIDEND & INTEREST PAYMENTS-
Cons Freight 26.5cts.
Electricite de France 12½% Gtd. Ln. 2008 e¼pc.
M & G General Tst. 12.3p
Wells Fargo $19.5

TOMORROW
COMPANY MEETINGS-
Moorgate Inv. Tst., 49, Hays Mews, W., 11.00
BOARD MEETINGS-
Finals
Mhangura Copper Mines
Interims;
Braime (T.F.& J.H.)
Dewhirst (I.J.)
Dickie (James)
Pearson
Propeller
Templeton Galbraith & Hansberger
Woodchester Inv.
DIVIDEND & INTEREST PAYMENST-
Argyll Grp. 4.1p
Cons Gold Fields 30p
Morgan Grenfell Und. Prim. Cap. Fitg. Rate Nts. $540.1
Neotronics Tech. 0.6p
Nippon Tel. & Tel. 10⅝% Nts. 1995 5⅜pc.
SmithKline Beecham Fltg. Rate Un. Ln. 1990/92 1.3274pc.

WEDNESDAY AUGUST 30
COMPANY MEETINGS-
Bulgin (A.F.), Bypass Road, Barking, Essex, 2.00
Drummond Group, Norfolk Gardens Hotel, Bradford, 12.00
Hollas Group, Cottons Hotel, Manchester Road, Knutsford, Cheshire, 9.30
Lister & Co., Manningham Mills, Bradford, 12.30
Porter Chadburn, Park Hotel, Park Lane West, Bootle, Merseyside, 12.15
BOARD MEETINGS-
Finals;
Assoc. Nursing
Special Eyes
Interims;
Beatrix Mines
Blackwood Hodge
Cairn Energy
Handley-Walker
Ladbroke
MacFarlane Grp. (Clansman)
Newarthill
Renaissance Hldgs.
Sharpe & Fisher
Shorco
DIVIDEND & INTEREST PAYMENTS-
Bank of Montreal 53cts.
Do. 10¼% Dep. Nts. 1991 $¼pc.
Bank of Tokyo (Curacao) Gtd. Fltg. Rate Nts. 1990 £1780.14
Cassidy Brothers 2.7p
Chrysalis Grp. 2p
City of Oxford Inv. Tst. 0.9375p
European Assets Tst. Reg. FL0.04
Do. Br. FL0.04
FKI 3.5p
Gen. Motors Accept.Corp Canada 10⅜% Nts. 30/8/93 e⅞pc.
Lancs & London Inv. Tst. 1p
Lon & Assoc Inv. Tst. 0.25p
Murray Int. 2p
Ossory Estates 12.5% e¼pc.
TSB Var. Rate Sub. Nts. 2003 £357.5

THURSDAY AUGUST 31
COMPANY MEETINGS-
Bestwood, Epping Post House, Bell Common, High Road, Epping, Essex, 11.00
Harris (Philip), Penns Hall Hotel, Sutton Coldfield, West Midlands, 12.00
Property Tst., Claridge's, Brook Street, W., 10.30
Stanco Exhibition Group, Town Wharf, River bank, Newport, Gwent, 10.00
BOARD MEETINGS-
Finals;
Parrish
Interims;
Appleyard
Bestwood
Black (A.& C.)
Butler Cox
Cadbury Schweppes
English & Overseas Properties
Guardian Royal Exchange
I.O.M. Steam Packet
Murray Int. Tst.
Paramble
Pentland Inds.
Slough Estates
Tribble Harris
DIVIDEND & INTEREST PAYMENST-
Alexander (Walter) 3.2p
Allnatt London Props. 10½% 1st. Mtg. Deb. 1994/99 5¼pc.
Appletree 1.1p
Atkins Bros (Hosiery) 5½% Cm. Pf. 1.925p
Automated Security 5% Cv. Cm. Rd. Pf. 2.5p
Bankers Inv. Tst. 0.56p
Blackwood Hodge 9% Cm. Rd. Pf. 4.5p
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1994 £360.75
Braithwaite 5.5p
Bulgin (A.F.) 0.2p
Do. A N/Vtg. 0.2p
Burmah Oil 8½% Un. Ln. 1991/96 4¼pc.
Cambridge Instrument 0.61p
Cater Allen Gilt & Futures Ptg. Rd. Pf. £40.00
Cater Allen Gilt Income Ptg. Rd. Pf. 30p
Chase Manhattan Corp. Fltg. Rate Sub. Nts. 1997 $255.56
Cosalt 4p
Creditanstalt Bankverein Sub. Fltg. Rate Nts. 1995 $255.14
Danae Inv. Tst. 4.125p
Derby Tst. 6.5176p
Dowty 7% Un. Ln. 1986/91 3½pc.
Ecclesiastical Hldgs. 13% Deb. 2018 e½pc.
Electrocomponents 3.6p
Erskine House 4.35p
Evode Grp. 8% Cv. Un. Ln. 2003/08 4pc.
Excalibur Grp. 11.5% Cm. Pf. 5.75p
First Chicago Overseas Fin. Gtd. Fltg. Rate Sub. Nts. 1994 $253.96
Foster (John) 9% Un. Ln. 1988/92 4½pc.
Gibbon Lyons 7% Cm. Cv. Rd. Pf. 3.5p
Glasgow Income Tst. 0.5p
Graham Wood 1.24p
Great American First Savings Bk. 5cts.
Gresham House 3.5p
Halifax Bldg. Society Fltg. rate Ln. Nts. 1995 (Ser.A) £59.26
Hambro Eurobond & Money Market Ptg. Rd. Pf. (Stlg. Eurobond) £0.27
Do. (A$ Eurobond) A$1.43
Do. (NZ$ Eurobond) NZ$1.37
Do. (C$ Eurobond) C$1.07
Do. (Yen Eurobond) Y23
Do. (Contl. Europe Eurobond) DM1.2
Do. (Managed Fd.) £0.18
Do. (Stlg. Money Mkt. Fd.) £0.58
Do. (US$ Money Mkt. Fd.) $0.65
Do. (A$ Money Mkt. Fd.) A$1.83
Do. (NZ$ Money Mkt. Fd.) NZ$1.26
Do. (C$ Money Mkt. Fd.) C$1.18
Do. (Yen Money Mkt. Fd.) Y36
Do. (Contl. Europe Money Mkt. Fd.) DM0.95
Hanover Druce 6.75% Cv. Cm. Rd. Pf. 3.375p
Hill Samuel Finance Fltg. Rate Nts. 1995 $536.67
IWP Intl. 3p
India Fd. 3p
Johnson & Firth Brown 11% Un. Ln. 1993/98 4.58pc.
Kenyon Sec. 4.75p
Kleinwort Benson Gilt Fd. Ptg. Rd. Pf. 33.78p
Korea Exchange Bk. Fltg. Rate Nts. 1994 £183.53
Kynoch (G.& G.) 7½% Rd. Cm. Pf. 3.75p
Learmonth & Burchett 1.4p
Lloyds Bank Prim. Cap. Und. Fltg. Rate Nts. (Ser.2) $253.96
Do. (Ser.3) $532.15
Lon. & St. Lawrence Inv. 5% Cm. Pf. 1.75p
Lon. & Strathclyde Tst. 5% Cm. Pf. 1.75p
M & G Gold & General 6.62p
Mexico Fd. 31.02cts.
National Australia Bk. Fltg. Rate/High Initial Spread Nts. 1993 $707.57
Nat West Bk. 7% Cm. Pf. 2.45p
Do. Prim. cap. Fltg. Rate Nts. (Ser.C) $262.36
N'wide Bldg. Society Fltg. Rate Nts. 1995 (Ser.2) £59.26
Neste Oy Fltg. Rate Nts. 1994 $333.47
New Brunswick (Province of) Fltg. Rate Nts. May 1994 C$32.26
Next 7% 1st. Mtg. Db. 1986/91 3½pc.
Do. 7¾% 1st. Mtg. Db. 1987/92 3⅞pc.
Panama (Republic of) Fltg. Rate Ser. Nts. 1990 $115.84
Parkfield Grp. 9p
Parkland Textile 4.2% Cm. Pf. 2.1p
Pavion Int. 11% Cv. Un. Ln. 1994/2002 5½pc.
Prowting 14.5% Cm. Pf. 7.25p
RPH 8% Db. 1992/98 4pc.
Do. 7⅝% Un. Ln. 1987/92 3[illegible]pc.
Do. 8% Un. Ln. 1999/2004 4½pc.
Do. 4½% Un. Ln. 2004/09 2¼pc.
River & Merc. American Cap. & Inc. Tst. 1.8p
Royal Bank of Canada Fltg. Rate Db. 2005 $77.5
Scott Pickford 0.375p
Second Market Inv. 2½% Cv. Un. Ln. 1994 1.25pc.
Securiguard 2.8p
Std. Bank Imp. & Export Fin. Gtd. Fltg. Rate Nts. 1992 £182.74
Summer Int. 0.5p
TR Australia Inv. Tst. 7% Db. 1997/2002 3½pc.
TR City of London Pf. 7p
Do. Dfd. 1.09p
Do. 6% Cm 1st. Pf. 2.1p
Do. 6% Non-Cm. 2nd. Pf. 2.1p
Temple Bar Inv. Tst. 8% Cv. Un. Ln. 2002 3pc.
3i 6⅞% Un. Ln. 1992/97 4⅙pc.
Tilling (Thomas) 8% Db. 1985/90 4pc.
Trans-Natal Coal Un. Sub. Comp. Cv. Db. 6.35pc.
Waverley Cameron Cv. Cm. Rd. Pf. 3.75p
Wells Fargo Fltg. Rate Sub. Nts. 1992 $77.82
Do. Fltg. Rate Sub. Nts. 2000 $78.04

FRIDAY SEPTEMBER 1
COMPANY MEETINGS-
Russel (Alexander), Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Savills, Hotel Britannia Intercontinental, Grosvenor Square, W., 11.00
Smith New Court, Institute of Chartered Accountants, Moorgate Place, E.C., 12.15
BOARD MEETINGS-
Finals;
Minerals Oils & Resources
Interims;
ATA Selection
Bletchley Motor
Church & Co.
Cons. Plantations
Jones (A.)
DIVIDEND & INTEREST PAYMENTS-
Aberdeen (City of) 10.8% Rd. 2011 5.4pc.
Acal 2.7p
AMAX 20cts.
American Brands 61cts.
American Gen Corp. 37.5cts.
BP America 10½% Gtd. Nts. 1989 5¼pc.
Barclays Bk. N/Cm. $ Denom. Pf. B 31.151cts.
Do. A 52.125cts.
Beaverco 5.6p
British Rayophone 5.25% Cm. Pf. 2.625p
Buffalo & Lake Huron Rlwy. 5½% 1st. Mtg. Perp. Bds. 2¾pc.
Do. 2nd Mtg. 2¾pc.
Burndene 2.5p
Church (Charles) 9.375% Cm. Rd. Pf. 4.6875p
Clarke, Nickolls & Coombs 2p
Do. 8½% Un. Ln. 1987/92 4¼pc.
Cook (Wm.) 6.25p
Corp. of London 3½% Db. 1983/93 1¾pc.
Dares Estates 7.75% Cv. Cm. Rd. Pf. 3.875p
Dudley Jenkins 2p
East Surrey Water 2.8% Pre-Pf. 1.4p
Do. 4% Cons. Db. 2pc.
Do. 7% Rd. Db. 1989/91 3½pc.
Do. 7¼% Rd. Db. 1991/93 3⅝pc.
Do. 7% Rd. Db. 1990/92 3½pc.
Do. 10% Rd. Db. 1997/99 5pc.
East Worcestershire Water 3.85% Pf. 1.925p
Do. 2.8% Pf. 1.4p
Do. 3.5% Max 1.75p
Do. 7% Max 3.5p
Elect. & Gen. Inv. Tst. 9% Db. 1989/94 4½pc.
Eurocopy 0.9p
Exchequer 7¼% Bds. 1992 3⅝pc.
Fleming Fledgling Inv. Tst. 1p
Fleming Mercantile 3½% Rd. Db. 1960/95 1¾pc.
Ford Motor 75cts.
Do. Bdr. 3.75cts.
Foxboro 10cts.
Inco 20cts.
Ingersoll-Rand 30cts.
Int. Income Property 20cts.
Ireland (Republic of) 9¾% 1991/96 4⅞pc.
Jessups Cv. Cm. Rd. Pf. 3.65p
Knobs & Knockers 1.5p
London County 2½% 1920 (or after) 1¼pc.
Do. 3% 1920 (or after) 1½pc.
Low & Bonar 8% 1st. Cm. Pf. 2.1p
Do. 8% 2nd. Cm. Pf. 2.1p
Do. 5½% 3rd. Cm. Pf. 1.925p
Lucas 3½% 1st. Pf. 2.275p
Metropolitan Water 3% B 1934/2003 1½pc.
Oldham Met. Borough Council 11.25% Rd. 2010 5.625pc.
P & O 3½% 1st. Db. 1.75pc.
Do. 3½% 2nd. Db. 1.75pc.
Port of London Authority 6½% Reg. 1987/90 3.25pc.
River Plate & Gen. Inv. Tst. 5% Cm. Pf. 1.75p
Russell (Alexander) 1.5p
Sainsbury (J.) 8% Irrd. Un. Ln. 4pc.
Schneiders (S.) 6% Cm. Rd. Pf. 2.1p
Spillers 7¼% Db. 1984/89 3⅝pc.
Stonehill Hldgs. 10½% Cm. Pf. 5.25p
TVS Entertainment 5p
Tarmac 6¼% Db. 1989/94 3⅛pc.
Do. 6¾% Db. 1989/94 3⅜pc.
Do. 7½% Db. 1992/97 3¾pc.
Tendring Hundred Water 5.6% Max 28p
Do. 3.5% Max 17.5p
Do. 5.6% Max Pf. 28p
Do. 4.2% Pf. 21p
Do. 2.8% Pf. 14p
Transcanada Pipelines 16½% 1st. Mtg. Pipe Line Bds. 2007 8¼pc.
Treasury 14½% Ln. 1994 7¼pc.
Treasury 9¾% Ln. 1997 4⅝pc.
Union Carbide 25cts.
Union Discount Co. of London 11.5p
United Mexican States 16½% Ln. 2008 8.25pc.
VSEL Consortium 8p
Yellowhammer 2.3p

SATURDAY SEPTEMBER 2
BOARD MEETINGS-
Finals;
Sime Darby

SUNDAY SEPTEMBER 3
DIVIDEND & INTEREST PAYMENTS-
Conversion 9% 2000 4½pc.

CONSTRUCTION CONTRACTS

Tarmac builds shopping centres

Two shopping projects are included in contracts worth about £37m awarded to TARMAC CONSTRUCTION.

The largest, at £10m, is for fitting-out a store at the Lakeside Shopping Centre, West Thurrock, Essex, for House of Fraser Stores. Work on the project starts in October and is scheduled for completion in a year.

In Scotland, work has started on a £6.4m design and build contract for a retail park at Straiton, Midlothian, for Firstlook, again due for completion in a year.

Large projects include offices in St Vincent Street/Hope Street, Glasgow, for Nationwide Anglia Property Services (£4.7m); offices and a vehicle testing building at Sandbach, Cheshire, for Foden Trucks (£3.5m) and a single-carriageway road at Sandhurst, for Berkshire County Council (£3.3m).

Other contracts involve refurbishing a Midland Bank at Hemel Hempstead (£732,000) and refurbishing offices at Havant, Hampshire, for the Southern Electricity Board (£378,000).

Projects awarded to the contract housing division include: work on homes at Bilston, West Midlands (£1.8m); Salford, Greater Manchester (£1.3m); Bristol (£1.1m); Leicester (£918,000); Cardiff (£658,000); Crewe (£614,000); Tamworth (£577,000); Lichfield (£444,000); Stockport (£393,000); and Northallerton, North Yorkshire (£368,000).

Darlington retail complex plan

SIR ROBERT McALPINE & SONS has been awarded a £25m contract by Pengap for the construction of the three-storey Cornmill shopping centre development in Darlington, Co. Durham.

Occupying a 10,000sq metre town-centre site, the scheme will provide a total floor area of 26,400sq metres comprising a 2,500sq metre department store, and, arranged along environmentally controlled malls on three levels, 63 retail units of various sizes.

Escalators and passenger lifts contained within a central atrium will provide access to all levels.

Construction will be of reinforced concrete frame on reinforced concrete piled foundations and ground slab. The shopping centre will be finished with brick cavity walls with stone embellishments.

The malls will be finished with terrazzo tile flooring, open-grid suspended ceilings, and glass-reinforced gypsum wall panelling.

A management suite, public toilets, covered service yards, a public address system, and a sprinkler installation serving mall and service areas are included.

Offices project at Farnborough

Construction of a £17m development for Crest Estates at Farnborough Station, Hampshire, has been started by CONDER PROJECTS - which is building the office block on a develop and construct contract. In conjunction with Ariman Developments, a related company of Conder Group, Crest is planning a building offering over 86,500 sq.ft. internal floor area.

The office is in two blocks linked by a glazed feature atrium which incorporates lifts and balcony access at all floors. The offices are of four and five storeys, and are to be brick clad with elevations incorporating a combination of bay windows and ribbon glazing. The internal specification includes air-conditioning, and raised floors. The two-storey basement will have 390 car parking spaces.

Conder's "Dry Envelope" method of construction will be used to achieve the fast-track construction programme, with completion due in January 1991. Other Conder companies involved include Conder Structures and IEL.

Road tunnel sections for river

Six unusual vessels - each with the displacement of an aircraft carrier - are to be "sunk" this week.

Each 118 metres long, 24 metres wide, and 10.5 metres high, the vessels are actually sections of a dual-carriageway road tunnel which will carry traffic under the river estuary at Conwy in north Wales.

Made from concrete and reinforcing steel, and fitted with ballast tanks and watertight seals at either end to make them float, the six tunnel segments, each weighing about 33,000 tonnes, have taken 12 months to build.

Two of Britain's top construction companies - COSTAIN and TARMAC - have been working together on the project, which involves building the tunnel sections on dry land in a casting basin gouged out of the River Conwy estuary.

Now that they are completed, the casting basin is being flooded with 165m gallons of water, covering the sections. These will then be floated out across the estuary, and will be sunk on the river bed in a few months' time.

Divers will seal the sections, the river bed will restored on top of the tunnel, and in two years' time traffic will be driving through, easing the traffic jams that have plagued the small Welsh town.

At the same time as the basin is being flooded, a trench is being dug 14 metres deep into the bed of the estuary. It is hoped that the first tunnel section can be floated towards the end of the year, but until then they will remain underwater.

Pumps that for the past year have been working round the clock to keep water out of the casting basin - which is big enough to house the whole of the walled town of Conwy - will be switched off to allow it to fill. This operation will start at the end of August, and it is expected that the basin will take around a week to be filled.

Valued at over £100m, Costain Tarmac's contract was the largest single road contract awarded in the UK when the project began in November 1986.

IN BRIEF....

£49m orders for Lilley

LILLEY has won orders totalling £49.2m, spread across the whole group. Work includes eight industrial units in Surrey; building at Wytch Farm for BP; a mixed use development in Edinburgh; a comprehensive school in Buxton, Derbyshire; together with general refurbishment and building orders.

* * *

BARRETT & WRIGHT has won mechanical and electrical services contracts worth almost £4.2m in and around London and the south east. Projects include Harrow Crown Court, and the new Savacentre at London Colney on the M25. The Norwich office has mechanical services packages worth £2.2m, including work at RAF Wattisham, and at Bonds of Norwich department store.

* * *

WIMPENNY, Huddersfield, has gained orders worth over £6m. Largest is Amec Properties 60,000 sq ft Kelvin Close office block at Warrington. Work on the £3.25m scheme has started for completion during June next year. Refurbishment work includes the Crossgates Arndale Centre (£1.25m) for P. & O. Shopping Centres, and a £1.25m refit at Kirklees Council offices for completion in May next year.

* * *

BIRSE CONSTRUCTION has secured the first phase of NCC Property's 600,000 sq ft office and retail development at East India Dock. The contract, worth £21.3m, includes the design and construction of foundations, basements and structural concrete frames. NCC Property is the UK subsidiary of NCC of Sweden.

* * *

A £1.3m contract for the steelwork of two office blocks in a new Hertfordshire business park has been won by REDPATH DORMAN LONG, part of the offshore and structural division of Trafalgar House.

International aid

Building from the grass roots

John Madeley reports on the encouragement of self-employment in Lesotho

Melato Mathetse smiles with satisfaction as he stands by a sign marked "Area Office Staff Housing" near Qnthing in southern Africa's Kingdom of Lesotho. Until little over a year ago 24-year-old Mathetse was unetoployed even though he had learnt building skills at a German-aided trade school. But his lot was hardly unusual.

Lesotho, e small mountainous country and one of Africa's poorest, is surrounded and economically dominated by the Republic of South Africa. Its enterprises usually find that they cannot compete with the low-cost food and consumer goods that flood in from the republic. This has advantages, but it has led to a chronic shortage of paid employment in the Quthing district – one of the poorest in Lesotho.

Most people are farmers who cannot survive on their own small plots and so make a living from a combination of farm and non-farm activities. But young people find it difficult to enter the self-employment sector.

Mathetse and four friends – also unemployed ex-students of the trade school – decided to take at its word an internationally-funded aid project that had set up in the area.

The $8m Local Initiatives Support Project (Lisp) was estabilsbed to support what local people were doing rather than impose any grand design from outside.

With tha backing of the International Fund for Agricultural Development (Ifad), a UN agency that helps the rural poor, the Lesotho government and other agencies, Lisp arose out of the failure of previous aid-assisted projects there.

When Ifad consultant, Phrang Roy, travelled around the villages in the Quthing district with two local consultants he found that a fundamental problem was "the often hasty introduction of schemes without due consultation with the intended beneficiaries." After two years of listening to local people Lisp was formulated, based on locally-expressed needs and aspirations.

"In order to meet their essential food and cash requirements," says Roy, "the rural poor develop 'coping' strategies, which piece together a patchwork of activities, often showing great ingenuity in developing and sustaining a range of non-farm activities to which they switch as circumstances dictate."

Melato Mathetse (right) with colleagues of the Triple M construction company

The project is therefore helping people to form groups that will help make both farm and non-farm activities more profitable. So Mathetse and his friends approached Lisp for help in forming a construction group.

A strength of the project is that it has been careful to recruit specialists from around the world who are not only technically competent but who have the ability to help develop the potential of local people.

The project's civil engineer, Arun Athawale from India, was convinced that the five aspiring young builders had the potential. He gave them enough intensive practical training for them to be seriously considered as a civil works contractor and the group formed a company, Triple M, that was eventually awarded a contract to build four staff houses at a Lisp area office.

"It was the first time that young people had built such houses," says Athawale, "and the success of the scheme generated interest throughout the whole country." The King of Lesotho went to the official opening of the houses, says Athawale, and there is now a feeling locally that building should be done like this, by small sub-contracted groups.

"This group was a pleasant surprise to us all," says Phrang Roy. "Its success highlights the fact that the rural poor are currently operating at levels well below their potential."

Since Lisp began in 1987, some 39 groups have been set up in Quthing district, consisting of nearly 500 people. Lisp officials in Quthing assess the ideas that are put to them, give advice on group formation, offer technical assistance and also help to arrange credit for equipment if needed.

Lisp's chief craftsman, Ronald Bardgett from Cumbria, deals with a wide range of requests from people who want to start and manage their own enterprise – motor mechanics, for example, who want to set up repair workshops, and carpentry and metal workers who spot a gap in the market.

In the town of Mount Moroei, close to the border with South Africa, Koah Ikaheng grows maize on a small plot of land. He teamed np with three neighbours to start a furniture-making group. Operating from a small workshop, the group now makes low-cost tables, chairs and grain-bins, thus giving people in the area the option of buying locally-produced goods in preference to South African imports.

Poultry and dairy units, brick-making, tailoring, knitting and petty trading are also popular activities. Members of one knitting group who are farmers agreed to work shifts so as to make full use of the machines they had purchased; they contribute time according to their own daily schedules. A group of 12 people who set up as brick-makers, and borrowed $500 for equipment, had repaid their loan within 6 months.

The project is also helping people to use improved management practices on their land in order to help raise yields and to halt soil erosion.

Much of the credit for Lisp's success is dne to the small internationally recruited management team that Ifad and the Lesotho government put together for the local Quthing office. Phrang Roy says that the project shows the importance of "designing and developing a flexible style of management that allows the beneficiaries and project staff alike to strive constantly to tap the latent potential of ordinary people."

For international aid efforts generally the project has important implications. "Development is not something that can be imposed on people," stresses project manager Peter Evans. "Rather it must grow out of their own activities."

US venture capital

Bullish outlook for less risky investments

Shifts in strategies were highlighted at a recent New York conference

The creation of an industry-wide performance measurement for US venture capital funds would be widely welcomed in the industry. More investors would not necessarily be attracted to venture funds as a result, but it would probably lead to the failure of weaker, less productive funds.

These are among the views which emerged from a survey* among venture capitalists and investors who attended the Third Annual Conference on Investing in Venture Capital in New York in June. Generally, those who responded to the survey were bullish about the future of the venture capital industry. But it is clear that they will be looking for less risky investments than in the past and that the leveraged buy-out will feature prominently among their favoured types of investment.

Despite the industry's adoption of a more conservative investment approach, though, they believe that the average annual rate of return achieved for venture funds will rise over the next five years or so.

Tha enthusiasm among those attending the conference for the introduction of an industry-wide system of performance measurement was fuelled by the presentation of a suggested formula (see inset) drawn up by First Chicago and presented by Bart Holaday, managing director of First Chicago Investment Advisors.

Edwin Goodman, chairman of the conference and managing general partner of Hambro International Venture Fund, commented that pension funds and institutions were increasingly investing in venture capital funds and wanted to evaluate their performance on a regular basis. "Until now, no industry-wide technique to measure venture capital has ever been proposed. Now, we have something to consider and build on."

Those who had studied the formula in the main thought it was good, with a handful describing it as "excellent".

Based on their own assessments, respondents reckoned the current average rate of return for all industry funds was 13.6 per cent. By 1995 the rate would have risen to 17.5 per cent, they said.

They based their assumption not only on the growing maturity of the industry, but also on expectations of an upturn from the slump in the new issue and over the counter markets and, among other factors, the "perennial optimism" of the industry.

It was also felt that "more baby-boom managers will leave large corporations and become entrepreneurs. This will increase the deal flow supply and, hopefully, the returns." And it was also expected that "the cycle for technology stocks should eventually turn back up."

There were, though, some who argued that the average rate of return for the industry would decrease by 1995 – one significant reason being that the current buoyancy was due to the fact that "Japanese investors are paying ridiculously high valuations that are driving valuations up."

In 1988, US venture capital funds received $2bn. The 1995 figure is expected to be $3.3bn. However, this prediction found much more support among a larger proportion of venture capitalists – 86 per cent – than investors, 62 per cent. Such a probability is attributed, for example, to the "unbelievable growth in pension assets. . ." Another notable development that would push the figure up, it was suggested, would be "increasing venture-type investing, but outside the venture fund concept, by corporations."

Perhaps reflecting the industry's own confidence in itself was the belief that more money would make its way into venture capital funds simply because there would be a general demand for greater returns on investments. A significant number also believed that a need for portfolio diversification would benefit the venture capital industry.

A shift away from high risk investments by venture funds towards more LBOs is predicted for a number of reasons. One is that there are "fewer pure VC deals and those that emerge are becoming too expensive"; another that "VCs possess key value-added capabilities that allow them to pay more for LBOs now that deals are auctioned."

There are, though, detractors from this view, some respondents to the survey believing that "LBOs will not last because they do not create long-term value."

A move towards more LBOs should benefit some venture capitalists, the survey suggests. "The bigger firms will increasingly do LBOs, leaving room for newer firms to do smaller venture capital deals."

A large proportion of respondents were agreed on the suggestion that venture capital-backed companies would be more likely to be sold than to be taken public.

Reasons pnt forward included the fact that larger corporations are increasingly looking for "buy and build" deals, rather than starting new businesses from scratch. It was also thought that "many large corporations are product constrained, not cash constrained."

Among the most favoured sectors for investment are biotech/health and general (non-specialist) venture capital funds; and environmental services; early-stage companies also rated well. Speciality retailing was rated as the least attractive.

**Further information from Hambro International Venture Fund, 17 East 71st Street, New York, New York 10021. Tel: 212-288-7778.*

Preliminary rules for portfolio valuation

The standard presented by Bart Holaday at the conference is based in part on valuations of venture capital portfolios by First Chicago Investment Advisors, which has an open-ended venture capital fund that has been valued monthly. The measurement system also incorporates results of a valuation survey by Price Waterhouse with Crossroads Capital Management, as well as information from the American Institute for Certified Public Accountants' Audit and Accounting Guide for Audits of Investment Companies and the Venture Economics' UK study, Venture Capital Valuation Methods.

Preliminary rules for consistent portfolio valuation presented by Holaday included:

- Private companies should normally be valued at investment cost unless there has been a subsequent equity financing or a significant change in current or projected operating performance;
- When an exceptional company has been self-financing for several years, fair market value may be increased based on a conservative financial measure regarding p/e ratios or cash flow multiples of similar, publicly-traded companies, discounted by 25 per cent for illiquidity;
- The share price of a financing led by a major corporate partner who is investing for strategic reasons should be discounted by 25 per cent for valuation purposes;
- A financing at a lower price by a sophisticated new investor should cause a reduction in value of price securities, but this change should not go below the liquidation value unless it is impaired;
- Financing done by the same group of inside investors with no sophisticated investor to set the price should generally be carried at cost;
- Fair market value should be written down without a new investment when the liquidation value is substantially impaired for under-performing companies. Fair market value might also be reduced when a company's performance and potential have deteriorated substantially;
- Redemption and liquidation premiums through dividends should usually not be valued. If the portfolio company has a substantial cash balance or unquestionably can raise significant capital, then the approved dividends or other premium may be included in the fair market;
- Warrants should be valued at cost.

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For further information contact the Joint Administrative Receivers:
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APPOINTMENTS

Granada development director

■ Mr Dennis Flach has joined the board of GRANADA TELEVISION as development director.

■ Mr James Lascelles has been appointed director of UK sales for PONT INTERNATIONAL.

■ Mr R.F. Malcolm has been appointed marketing director of encapsulation specialist R.P. SCHERER, Swindon.

■ Mr David Sprott has been appointed group finance director and company secretary of HAZEL GROVE MUSIC, Cheadle, and its associated companies in the UK and overseas.

■ TEKTRONIX UK has re-named its information display group as the visual systems group and appointed Mr Alan Hindley to lead the new group. He was general manager.

■ Mr David Soden has been appointed a director of THORNTON INVESTMENT MANAGEMENT, and will be fund manager to cover the US. He joins from Municipal Mutual Insurance.

The British Nuclear Forum and the Nuclear Electricity Information Group merge on September 1. Dr John H. Gittus *(above)* will head the new body as director-general. The name BRITISH NUCLEAR FORUM will be retained. Dr Gittus is director, communication and information, UK Atomic Energy Authority. Mr Jim Corner, head of the present forum, will become secretary general of the new body and continue as secretary general of the European Atomic Forum (Foratom). Dr Tom Margerison, director of NEIG, will become consultant.

Costain restructure

COSTAIN GROUP has made the following management changes in connection with the re-structuring of the engineering and construction group. Mr Adrian Franklin *(left)* managing director, Costain Civil Engineering, becomes chairman of Costain activities in UK civil engineering, electrical engineering and international contracting. Mr George May *(centre)* succeeds him as managing director, Costain Civil Engineering. Mr John Lawson *(right)* becomes managing director, Costain International. Mr Peter Burgess has been appointed director for Costain Civil Engineering in Europe. Mr Fred Tarrant, managing director, Costain International, has retired.

■ Mr John Graham has joined BANKERS TRUST INTERNATIONAL's Eurobond department in London to head a team covering institutional distribution in the UK, Middle East, Italy and Scandinavia. He was head of non-dollar sales with Salomon Brothers. Ms Anne Debbaut will head a similar team covering Benelux, Germany, Austria, France and Spain.

■ Mr M. Jayetileke has been appointed financial accounting manager in the chief accountant's department, BRITISH GAS. He was assistant manager, financial services (other divisions).

■ OAKWOOD GROUP has appointed Mr Ian Forsyth, an executive director, as finance director, succeeding Mr Kailash Dal who has resigned. Mr Richard Bate has resigned as the director responsible fo Oakwood's textile operations.

■ Mr Rod Lowe has been appointed finance director of M. MYERS & SON, office products manufacturer, Birmingham. He was group management accountant at Armstrong Equipment, and worldwide pricing manager at Jaguar.

■ Mr Joseph M. Bujold has been appointed president of ALEXANDER PROUDFOOT COMPANY. He succeeds Mr Nelson R. Henry who is retiring on October 1.

■ KILBEY & GAYFORD (HOLDINGS) has appointed Mr John Mather as company secretary.

■ Mr Stewart Knighton has been appointed general manager, human resources, at GKN from October 1. He was group personnel manager with Bunzl.

■ Mrs Ann Hemingway has been appointed director of personnel for BRITISH GAS WALES which employs nearly 4000 people. She is information technology manager for British Gas North Eastern, and takes up her new post in September following the retirement of personnel director Mr Peter Morris.

Ratners Group treasurer

■ Mr Michael Bartholomeusz has been appointed group treasurer of RATNERS GROUP. He was group treasurer of MAL.

■ Mr Richard Elliott has been appointed general manager, trade marketing and national accounts, H.J. HEINZ COMPANY. He was general manager, trade marketing. Mr Elliott joined Heinz last year from Mars Confectionery, where he was sales operations manager.

■ Mr Brian Godwin has been appointed deputy director of the DECORATIVE LIGHTING ASSOCIATION, the trade body for domestic and contract lighting manufacturers and suppliers. Mr Godwin joins from Ashley & Rock where he was one of the team responsible for developing the "Klik" system now widely used for fitting lights in architectural projects and housing developments.

SLS (INFORMATION SYSTEMS) has appointed Dr Peter Harrop *(above)* as chairman. He was managing director of Mars Electronics.

CONTRACTS & TENDERS

**PORTSMOUTH CITY COUNCIL
SELECT LIST OF TENDERERS
REFUSE COLLECTION SERVICE**

In accordance with the Local Government Act 1988 Portsmouth City Council intends to invite tenders for its comprehensive Refuse Collection Service. The contract will commence on 1 August 1990 for a period of five years with an option to extend for up to a further two years.

The contract will consist of the following elements:-

- (i) Household refuse
- (ii) Commercial refuse
- (iii) Bulk bin service
- (iv) Special collections
- (iv) Confidential and difficult waste
- (vi) Bulk putrescent waste
- (viii) Bottle Bank emptying

The City has a population of approximately 187,000 which rises to some 250,000 with the holiday influx.

In the first instance applications are invited from contractors interested in being considered for inclusion on the Council's select list of tenderers.

The Specification and Conditions of Contract will be available for inspection free of charge between 9.30 am and 4.00 pm, Monday to Friday, from 11 September to 9 October at the offices of the Director of Engineering, Civic Offices, Guildhall Square, Portsmouth PO1 2AS. During this period prospective tenderers can obtain copies of the documents from the above address for a payment of £50.00 each.

Applications from contractors wishing to be considered for inclusion on the select list must be received by the Director of Engineering no later than noon on Monday, 9 October 1989. Contractors will be required to complete a detailed questionnaire which is available on request and must be returned by the same date.

It is anticipated that selected contractors will be invited to tender for this contract in November 1989.

COMPANY NOTICES

This notice is issued in compliance with the requirements of the Council of the Stock Exchange.

STANLEY

STANLEY ELECTRIC CO., LTD
(Incorporated under the laws of Japan)
US $100,000,000 3¼ per cent
Guaranteed Bonds 1992
(the "Bonds")

TO ALL BONDHOLDERS :

The Annual Reports and Accounts of the company and The Mitsui Bank, Limited, the Guarantor for the Bonds are available in the UK to holders of the Bonds only, at the offices of the company's London paying agents :

The Mitsui Bank, Limited
London Branch
6 Broadgate
London EC2M 2RQ

LEUMI INTERNATIONAL INVESTMENTS N.V.

US $20,000,000 GUARANTEED FLOATING RATE NOTES 1990 SERIES "A"

The interest rate applicable to the above Notes in respect of the six months period commencing 29th August 1989 has been fixed at 9¹⁄₁₆% per annum.

The interest amounting to US $46.70 per US $1,000 principal amount of the Notes will be paid on Wednesday 28th February 1990 against presentation of Coupon No. 19.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

bank leumi בנק לאומי

AIRCRAFT FOR SALE

PUBLIC NOTICE

Public prequalification for the limited international tender for the adjudication of the building contract and the concession of the operation of the

MARINA DE CASCAIS

1 – ENATUR – Empresa Nacional de Turismo, EP, Av. Santa Joana Princesa, 10 A P-1700 Lisboa.

2 – With a view to selecting the entities or groups, national or international, to be invited to the limited tender of adjudication, comprising the building and operation of the Marina de Cascais, Enatur, EP, opens this international public prequalification tender, in view of selecting the entities or groups professionally, technically, economically and financially most suitable.

3A – The Marina will be located in Cascais south of the fortress of Cidadela.

B – The works and the supplies, as well as the operation of the Marina will be financed by the concessionaire, who will also pay to Enatur, EP a rent in accordance with its offer, its remuneration being constituted by the fees of the essential, complementary and ancillary services to be rendered, the latter being permitted to be conceded a third party.

B2 – The building contract has the objective of building the infrastructures of the harbor and supplying equipment, namely:
– Maritime works (break-water, pier, launching ramp, ground fillings and retaining works).
– Land structures (building, technical networks, pavings and exterior arrangements).
– Equipment (floating piers and boat elevation equipments).

B3 – Enatur, EP will give the concessionaire, against guarantee to be freed in instalments, e non-refundable sum of around PTE 750.000.000$00 (seven hundred and fifty million Portuguese escudos) as a contribution of the Portuguese State to the building of this development.

4 – A schedule for completion of the building works will be fixed in conformity with the offer of the candidate to the edjudication, but the forecast is that it should not in principle exceed 36 months.

5A – Candidates may be entities or groups of entities national or foreign, with capacity or experience in the operation of marinas or touristic and/or property developments.

B – Grouped candidates during the prequalification phase do not need to be legally associated. But to participate in the edjudication tender, they will be requested to associate themselves as an external consortium, and in case they win the adjudication, to establish a company with the sole and exclusive purpose of building and operating the Marina de Cascais.

6A – All the candidates' applications must be submitted in an opaque closed and sealed packet, against a receipt, until 17.00 hours on 6th of November, 1989.

B – All enquiries and all necessary documentation requests, all action and correspondance referring to this tender must be addressed to or practiced with regard to, Enatur, Empresa Nacional de Turismo, EP (Á atenção do Gabinete da Marina de Cascais), Av. Santa Joane Princesa, 12-D-2° p – 1700 Lisboa, or through:

PHONE: 882988, 892371, 889078
TELEX: 13609, 63475, 65839 ENATUR P
FAX: 805846

C – The candidates must complete the applications by filling out the provided forms and enclosing the documentation referred to in, and all in accordance with the prequalification tender programme, all written in Portuguese or translated into Portuguese.

7 – Within 60 (sixty), days from the date mentioned in 6A, except in the case of an extension, which would be announced in advance to the candidates, Enatur, EP will send to those selected for the submittal of offers an invitation to participate in the adjudication tender.

8 – If the candidate is not, or does not include, a company qualified in the area of building plants and building works (the latter with licences of the 5th sub-category of the 3rd category – "Obras Hidráulicas", 2nd sub-category of the 1st category – "Edifícios e Monumentos", 5th and 9th sub-categories of the 4th category "Instalações Especiais" and the 12th and 13th sub-categories of the 2nd category "Vias de Comunicação e Obras de Urbanização"), the candidates' application must include a legally binding document, by which companies of these activity sectors, with the necessary licences, will assume the commitment to execute for and under the full responsibility of the candidate, such plants and works.

9A – The analysis and qualification of the candidates will be made in the light of the following aspects and criteria:
– Self-financing capacity of the entities or groups of entities and/or credibility of the proposed financing;
– Economic and financial circumstances of the candidate or of the entities which compose it;
– Curriculum of the entity or group of entities in the operation of yacht marinas or touristic and/or property developments;
– Curriculum of the planning and/or building companies in the maritime harbour works, and civil engineering works;
– Personnel and equipment resources of the planning/building companies;
– Way in which the consortium of companies is organized, and in which the functions and tasks involved in the building and operation of the Marina are distributed.

B – Enatur EP commits itself to invite for the adjudication tender the candidates that are qualified in the top two thirds of the prequalification grid, and in any case not less than six of those who independently of their relative classification, are in absolute terms considered professionally, technically, economically and financially suitable.

10A – Besides the elements, such as models, which can be seen or studied at its offices, Enatur, EP will provide those who request it in writing up to 17th October 1989, for the price of PTE 100.000$00 (one hundred thousand Portuguese escudos) including VAT, with a file comprising the Preliminary Design (reviewed) the Intermediate Design of the Maritime Works, the Location and the Preliminary Design of the Land Structures, and the Mid-Report of the Environment Impact Study, as well as the prequalification tender programme.

B – Such elements are still subject to final approval, and may therefore be subject to changes or adaptations, in which case these would be immediately communicated to the interested parties, by this form, or by notification, to those who expressly request it in writing or to the Gabinete da Marina, under the terms of number 2.2 of the prequalification tender programme.

C – If the number of candidacies is in excess of six, Enatur EP will notify the candidates that there will be a public session, within 72 hours, to open the candidates' applications.

D – No financial guarantees are requested at this stage.

11 – This notice was sent for publication in the Official Paper of the European Communities on 18th of August, 1989.

N.B.: Candidates are advised that this is e free translation from the Portuguese, legally binding, original.

COMPANY NOTICES

AVIS, INC.

NOTICE TO HOLDERS (THE "DEBENTURE HOLDERS") OF 5¼ PER CENT. EXCHANGEABLE SUBORDINATED DEBENTURES DUE 2002 (THE "DEBENTURES") EXCHANGEABLE FOR ORDINARY SHARES OF 25P EACH OF AVIS EUROPE PLC CONSTITUTED PURSUANT TO AN INDENTURE DATED AS OF 12TH NOVEMBER, 1987 (THE "INDENTURE") MADE BY AVIS, INC. IN FAVOUR OF BANKERS TRUST COMPANY ("THE TRUSTEE")

Avis, Inc. hereby gives notice that:-

1. Cilva PLC ("Cilva") announced on 25th August, 1989 e cash offer (the "Offer") for the entire issued ordinary share capital of Avis Europe PLC ("Avis Europe") not already held by shareholders of Cilva, but including the shares into which the Debentures are exchangeable, at a price of £6.00 for each 25p Ordinary Share of Avis Europe ("Avis Europe Ordinary Shares"). Under the terms of the Offer shareholders who accept the Offer may elect to receive all or part of their consideration in the form of a Loan Note guaranteed by Citibank, NA in lieu of cash.

2. The formal offer document which will contain the detailed terms and conditions upon and subject to which the Offer is made is expected to be posted to shareholders on or about 31st August 1989 and copies will be available thereafter on application to any of the Paying and Exchange Agents specified below. The Offer is not being made directly or indirectly in the United States.

3. The Trustee is unable to accept the Offer on behalf of Debenture Holders but if the Offer becomes unconditional then the Avis Europe Ordinary Shares which are held by the Trustee may be compulsorily acquired by Cilva in accordance with the procedure set out in Part XIIIA of the UK Companies Act 1985. In this event Debenture Holders, on the exchange of their Debentures, will be entitled to receive e proportionate part of the cash consideration received by the Trustee on the compulsory acquisition of the Avis Europe Ordinary Shares.

4. Accordingly, Debenture Holders who wish to accept the Offer can only do so by first exchanging their Debentures for Avis Europe Ordinary Shares and then only in accordance with all applicable securities and/or other laws or regulations. Debentures may be exchanged by Debenture Holders surrendering any or all of their Debentures (together with all unmatured coupons, eppertaining thereto or, in lieu of any missing unmatured coupons, funds equal to the aggregate face amount of all such missing unmatured coupons) at the offices of the Paying and Exchange Agents specified below together with (i) e duly completed Exchange Notice (copies of which can be obtained from the Paying and Exchange Agents specified below); (ii) a certificate that such Debenture Holder is not a United States person and will not sell the shares of Avis Europe received upon the exchange of such Debentures in the United States or, knowingly, to e United States person (copies of such certification can be obtained from the Paying and Exchange Agents specified below); and (iii) an amount in pounds sterling, in immediately available funds, equal to the liability of such holder for any United Kingdom stamp duty payable on the transfer of the Avie Europe Ordinary Shares. The stamp duty payable is currently 50p for every £100 or part thereof of the consideration payable to be calculated (for the purposes of (iii) above) by reference to the face value of the Debentures to be exchanged. If section 67 or 70 of Finance Act 1986 is applicable (transfer of shares into a clearing system or an issue of depository receipts) the rate of stamp duty will be £1.50 for every £100 or part thereof of the consideration. The method of delivery of the Exchange Notice is at the option and risk of the Debenture Holder.

5. Acceptances of the Offer must, in order to be valid, be received by Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA or Lloyds Bank Plc, Registrar's Department, Issue Section, PO Box 1000, Bishopsgate, London EC2N 3LB not later than 3.00 pm on the first closing date of the Offer which is expected to be on or about 21st September, 1989.

PAYING AND EXCHANGE AGENTS

Banque Indosuez Luxembourg, 39 Allée Scheffer, L-2520 Luxembourg

Bankers Trust Company, Corporate Trust & Agency Group, 1 Appold Street, Broadgate, London EC2A 2HE, England

Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basle, Switzerland

The contents of this advertisement which has been prepared by and is the sole responsibility of Avis, Inc. and has been approved by Lazard Brothers & Co., Limited, a member of The Securities Association, for the purposes of section 57 of the Financial Services Act 1986.

Dated 29th August 1989

FINANCIAL TIMES SURVEY

One of the prettiest and most unspoiled towns in the UK, Norwich is also one of Britain's most successful. It has flourished despite its remoteness from London. **Stewart Dalby** examines why poor communications and a contented smugness need not be liabilities.

Where weakness means strength

"YOU have to cast yourself into an extremely negative frame of mind to be gloomy about the prospects for Norwich over the next few years," mused Dr Peter Townroe, an economist at the University of East Anglia, and author of the 1987 *Norwich Economic Area Study*.

On a balmy July afternoon, East Anglia'e capital, which has a population of 121,000, but a travel-to-work number of 236,000, is one of the prettiest and most unspoiled cities in the UK, with its excellent second-hand bookshops, its picturesque river, and its museum and art gallery, housed in the stunning Norman castle dominating the city centre.

Try as one might, it is hard to avoid the conclusion that Norwich is one of Britain's most successful small towns. With unemployment as low as anywhere in England, the city centre oozes a comfortable middle-class atmosphere. Its remoteness from the manufacturing mainstream, which might in other circumstances have been a weakness, appears to have given it strength.

It has flourished in the past decade not so much because it has attracted large-scale new industries, but because a variety of well mixed businesses, many of them long established, have continued to prosper. Much is made of the fact that during the Middle Ages Norwich vied with Bristol and York to be England's second city. It thrived on the back of the woollen trade with the Continent. Today, the evidence of this former prominence can be seen all round the city, with its castle, two cathedrals and 30 other medieval buildings, the largest concentration of listed medieval buildings in Western Europe.

The industrial revolution mostly passed Norwich by so there are few smoke-stack industries. The city also emerged largely unscathed from the Second World War. This meant it avoided the horrors of redevelopment which scarred other towns. The 1950s and 1960s were not British architecture's finest hour.

As a result the city centre has a virtually intact medieval street pattern. Besides the churches there are 1,500 listed buildings from all periods of its rich history. The pedestrianised centre is more extensive than in many towns and, arguably, prettier than most. Moreover it is as yet relatively undiscovered by tourists and is not overrun with visitors to the same extent as Chester, Bath or York. A new Tourist Development Action Plan (TDAP) could change this.

If the city has a problem, it is, says Mr Richard Packham, the head of the economic development unit at city hall, the poor communications with the rest of the country. Norwich is now thought to be the only English city without a dual carriageway approach. Astonishingly there is not a mile of motorway in Norfolk. Although the electrification of the rail line to London has speeded travel, the capital link is still not operating smoothly. A visitor emerging from the station is conscious it is the end of the line. But even the city's inadequate rail and road links do not encapsulate what is wrong with Norwich.

It is easy to argue that Norwich has developed an identity different from other regions because of rather than in spite of its separateness.

Its distance from cities of any size meant it developed a strong professional heart. There are two firms of solicitors, Mills, Reeve and Francis and Daynes, Hill and Perks (DHP), both of which have more than 50 partners and are believed to be among the largest regional concerns in the country. There are a whole range of other financial services companies in the city, including accountants and four stockbrokers, as well as a merchant bank, East Trust.

Whereas other towns, such as Peterborough, have had to buy in, so to speak, large insurance companies to alleviate unemployment problems, Norwich has always had its own. The Norwich Union which is made up of a life company and a fire company, has grown explosively in the past decade. Norwich Union now employs 6,300 people. It is far and away the city's largest employer and it still has an insatiable appetite for certain groups of workers such as school-leavers.

Dr Peter Townroe, of the University of East Anglia who undertook an economic study of the city in 1987 in conjunction with the local authorities, said that, proportionately speaking, in terms of jobs financial services was twice as important to the city as it was to the region and to the country as a whole. As such, financial services should be judged rather more like a manufacturing sector.

Because Norwich is slightly off the beaten track it has also helped create strong media companies. Anglia Television is considered one of the more successful commercial TV companies known especially for its award-winning "Survival" programme and its consistent ability to make drama programmes which are highly acclaimed.

The Eastern Counties Newspapers Group is a successful and profitable independent group which publishes 20 titles, including the Eastern Daily Press which has sales of 90,000 putting it just behind the Yorkshire Post as England's largest circulation regional paper.

In the printing industry Jarrold and Sons, a family concern, now operates a successful company with national printing and publishing contracts. Jarrolds also runs department stores and shops and has the local agency for well-known computer concerns.

Jarrolds was joined as a printer by part of HMSO in 1968. HMSO was the last concern of any size, apart from Sedgwicks, the insurance brokers, which arrived in the 1970s, to relocate in Norwich.

If Norwich has a traditional industry apart from financial services and shoes, it is mustard. Like Norwich Union, Colmans, which is now Reckitt and Colmans, has grown into an international food and drinks group the importance of which far exceeds the boundaries of Norwich.

Colmans has played its part in turning Norwich into a budding biotechnology centre. Being at the heart of the fertile agricultural county of Norfolk, the city has been noted for its association with well-known food companies. Bernard Matthews with his "bootiful" turkeys is one such concern. In recent years a number of institutes involving food research have sprung up.

As for the old, declining industries such as shoes — Norvic, once Britain's largest shoe company, finally closed its doors in 1979 — they have been replaced by small electronic, printing, and other enterprising outfits. Many of these have set up fectories near the airport and are insulated from the medieval centre by the ring road. Group Lotus, the car manufacturing concern, was established outside Norwich because its founder, the late Colin Chapman, liked flying. He bought a disused airfield close to Norwich so that he could combine business with his hobby. After various ups and downs the company is growing again.

The airport itself is also set for expansion and there are plans to double its capacity to nearly 500,000 passengers a year.

Norwich has thus prospered on the back of a good mix of expanding native industries. Unemployment is put by city hall at 3.3 per cent, well below the national average. However, it is possible to arrive at a figure of 9 per cent, depending on where one draws the travel-to-work boundary. Great Yarmouth, for example, like other seaside resorts, has very high unemployment rate. Certainly for men in their forties who may have once worked in the shoe and textiles industries, the job opportunities are much scarcer than for school-leavers of a clerical bent.

Arguably, Norwich'e good fortune with a fine balance of employers and unspoiled and rich environment would not have been possible without the rather unusual local government establishment. The city council has been Labour-controlled for all but two of the last 50 years.

In practical terms, however, it has been conservative with a small "c". It has worked closely with the Chamber of Commerce, and various private sector interests to preserve the old, in the form of the churches and the environment, and to embrace the new, in the sense of proper planning for start-up and expanding companies. It has also built some of the best public housing in the country.

Norwich, like other British towns, has in the past decade seen the unenviable development of an underclass. Ms Patricia Hollis, the formidable and much respected former leader of the city council, believes that in 1979 one in 20 on the housing list were in dire need of a new home. Now one in two need rehousing. This does not mean families are actually on the streets, but that with spending constraints on local governments, at least one in two families who have applied for new homes are living in shared accommodation or in properties which are in other ways inadequate.

Ms Hollis, who teaches history at the university and has just gained the commission to write the biography of Jennie Lee, the former leading Labour politician and wife of Mr Anuerin Bevan, also says that while some people are much better off, she feels that probably 20 per cent of Norwich's population are now worse off than they were in 1979.

The underclass problem is not allied in Norwich to either an ethnic problem or to youth crime (Norwich has among the lowest crime statistics in the country), but it could be exacerbated, to the detriment of city, if Norwich suddenly becomes fashionable as a relocation centre.

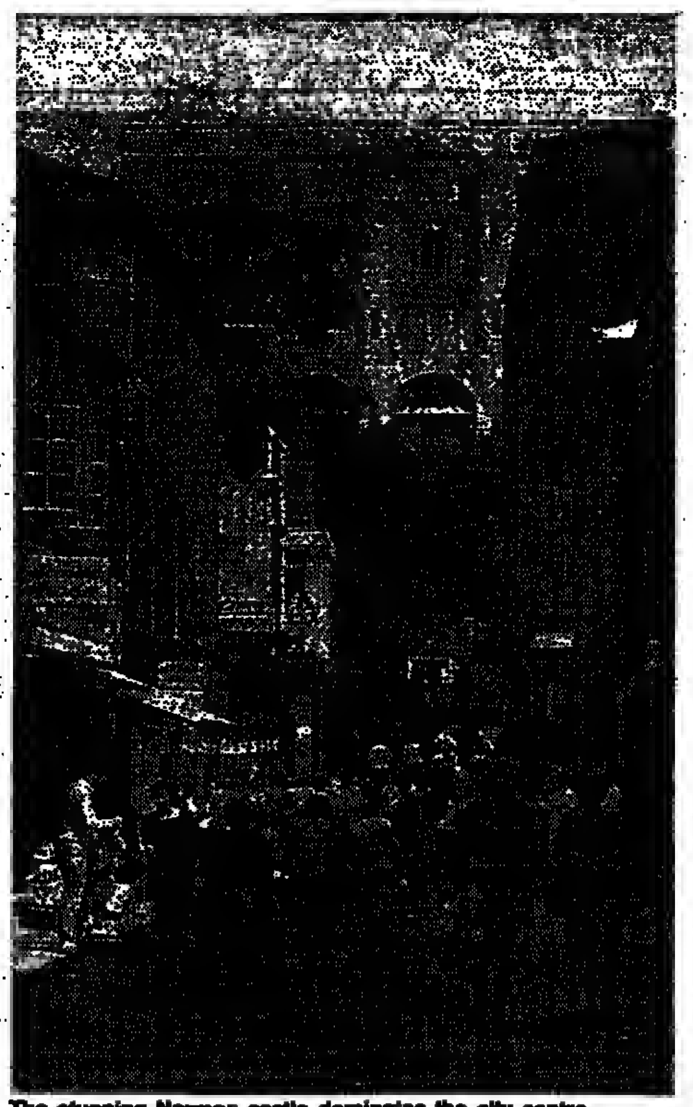
The question is not so much what is wrong with Norwich as what could go wrong, as the ripples from London and the south-east spread further and further. The perceived restraints to inward investment, the poor roads, the insularity, have perversely acted as safeguards in the past. There is now a promise to turn the A11 and the A47 into dual carriageways. In terms of communication, Norwich is one of the few remaining islands off the coast of London, but the waves of progress are now lapping at its shoreline.

Evidence of this is apparent wherever one looks. Property prices have doubled in three years. A semi-detached house now costs £90,000. Office rents have soared from £4 a square foot to £13 a square foot. Industrial land goes for £300,000 an acre. The Norwich Union is voraciously snapping up every school-leaver available. The remaining sites alongside the pretty river Wensum have been snapped up for development.

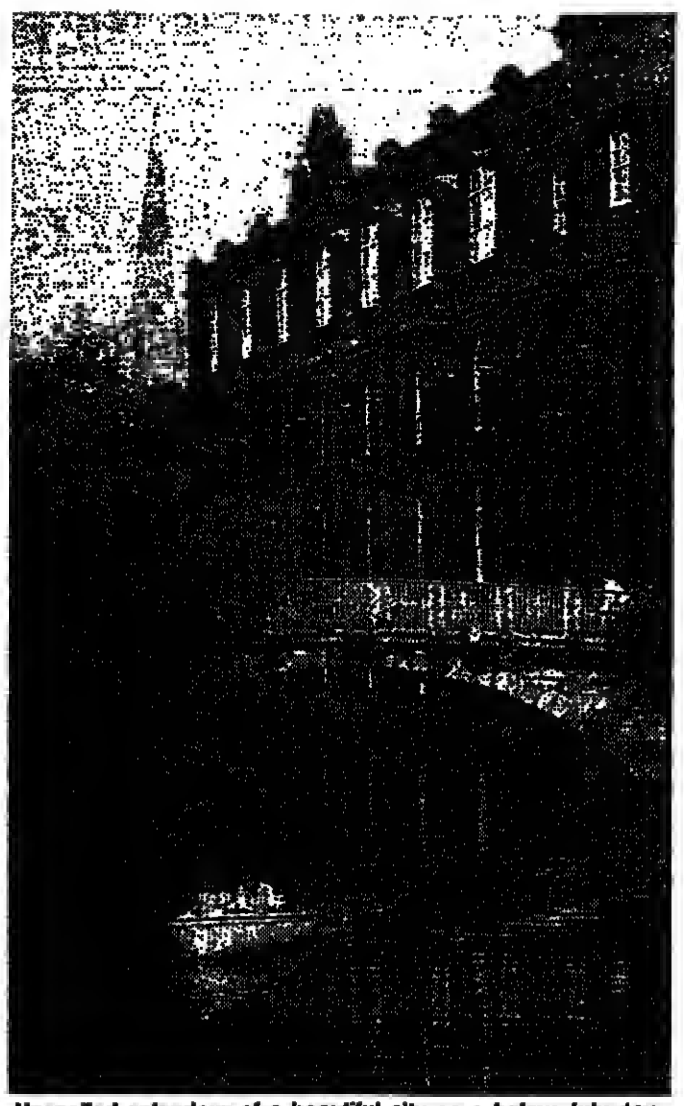
Its homegrown companies are not branches of national or international groups and should in theory weather any recesssion well.

Before that happens, however the authorities might try and ensure that Norwich does not become fashionable for tourists and that there is not an infestation of companies. It does not have the labour (although the population is predicted to grow by 5 per cent over the next decade) and it does not have the land, unless it wants to change its character.

Put another way, it might try to ensure that the south-eastern waves do not turn into the gigantic tidal variety which will swamp it altogether.



The stunning Norman castle dominates the city centre



Unspoiled splendour of a beautiful city on a balmy July day

NORWICH

Photographs by Tony Andrews

KEY FACTS

DEMOGRAPHIC	
Oistrict population (1988)	121,000
Oistrict populetion change 1981-1988	-4%
Cetchment populetion 1988 (commuting eree)	297,873
Catchment population growth 1981-88	1.7%
Travel-to-work populetion	236,000
Norfolk population (1988)	721,025
Projected county population 1996	*746,570*
Age structure*	
0-4	5.6% (6%)
5-15	15% (16.3%
16-24	14.2% (14.1%)
25-44	25.5% (26.3%)
45-pensionable ege	20.1% (19.7%)
Over pensionable age	19.4% (17.7%)
CAR OWNERSHIP*	
Households with no car	39.7% (39.5%)
Households with one car	46.9% (45.1%)
Households with two cars	11.4% (15.5%)
Cars per household	0.73% (0.78%)
HOUSEHOLD TENURE 1981*	
Owner occupied	48.7% (55.7%)
Rented from council or new town	38.7% (31.2%)
Private rented	8.1% (6.6%)
Other	4.4% (4.2%)
ECONOMY*	
Unemployment (travel-to-work aree) . Apr 89 — 4.6% (7.4%); May 88 — 6.9% (9.8%)	
Employment by sector (1984)	
Manufacturing induetries	24.9% (25.6%)
High-tech industries	14.6% (14.6%)
Primary Industries	6.3% (4.6%)
Construction	5.8% (4.9%)
Dietribution, hotele & catering	21.7% (20.1%)
Retail distribution	10.3% (9.7%)
Transport & communication	6.2% (6.4%)
Banking, finance & businese services	9.9% (9.5%)
Other services	25.3% (26.9%)
PROPERTY*	
Residential	
Averege house price, mean for 1988:	£68,900 (£59,200)
Regional average house price:	£67,500
Commercial	
Rate in the £	1988/89 — 236.40 (1987/88 — 217.30)
Guide to prime rents	
Offices	May 1989 — £12 psf (Sep 1986 — £4.65 pef)
Retail	Apr 1989 — £110 psf (Sep 1986 — £65 psf)
Industrial	Oct 1988 — £4.20 psf (Sep 1986 — £2.10 psf)
Estimated district floorspace (sq ft)	
Commercial offices 1985	3m (1980 — 2.5m)
Shops & restaurants	3.9m (1980 — 3.6m)
Industrial & warehousing	17.4m (1980 — 16m)

Great Britain average in perenthesie

Source: Property Intelligence Ltd (Tel 01-839 7684)

Facilities would be strained by huge influx of visitors

A regulated trap for tourists

NORWICH is underwhelmed by tourists but the city authorities are ambivalent about it.

On the one hand, with a history stretching back to Roman times, a virtually intact medieval street pattern, a Norman castle, two cathedrals, more pre-Reformation churches than any other city in Western Europe, about 1,500 historic buildings representing all periods in a rich past, it has the possibility to compete on equal terms with other heritage centres such as Chester.

Add to this the easy access to the underused Norfolk Broads or lakeland, which recently becama England's newest national park, and the closeness of the admittedly faded coastal resorts of Great Yarmouth and Lowestoft, and Norwich should be a major British tourist centre.

But despite these advantages or "products" as tourist boards like to term them, neither the city nor the countryside has managed to lift the profile to the point where it is perceived by visitors as an established destination.

Norwich attracts some 700,000 to 800,000 visitors a year, most of them day visitors. Few are from abroad. Norwich is not on the American circuit, ie part of the tour of Britain undertaken by US visitors. York, which is visited by many foreigners including US tourists, draws more than 3m people a year.

Cambridge, which is roughly the same size as Norwich, but which, according to Mr Paul Simons, director of the Norwich Area Tourist Agency (Nata), has only one product, its universities, compared to a range of attractions in Norwich. Nevertheless Cambridge earns £120m a year from tourism. In Norwich the total visitor "spend" is between £40m and £50m a year. Tourism is therefore clearly an industry with a potential to increase the city's income and create jobs.

On the other hand, most Norwich people, including those in authority at City Hall, recoil in horror at the thought of the city becoming another overrun with tourists like York or Bath. Norwich is a major shopping town for an unusually wide surrounding area. The facilities, particularly car-parking, would be strained by a sudden, huge influx of day tourists. If more staying guests (Norwich with an average stay of only three nights is well below the national average) is the objective then hotel accommodation needs to be greatly extended. Although Nata says there are 2,700 beds in 80 establishments, there are only two hotels in the category of three to four star. And in these two the arrangements for business visitors (for example, conference facilities) are not especially good.

To realise the potential of the tourist industry but at the same time avoiding a flood of visitors, a Tourist Development Action Programme was set up a little over a year ago. These TDAPs are initiatives led by the English Tourist Board. In Norwich'e case it is a partnership involving the ETB, the regional tourist board, the local authorities at county, district and city level and private sector interests.

The Nata, which is part of the TDAP is unusual in that it is a company limited by guarantee. This means that unlike most agencies of this type it can raise capital and participate commercially in some developments it wishes to encourage. With an initial budget of £425,000 for its first three years, it has set five objectives:

- To develop and strengthen the area's tourist attractions;
- To expand and improve the accommodation stock;
- To strengthen Norwich's links with the countryside and coast;
- To enhance the visitor's experience; and
- To develop a well-targeted promotional strategy.

Although the city does have a wide range of heritage attractions many, it is felt, are

Continued on Page 4

Stewart Dalby looks at financial institutions

Medieval walkway to modern range of services

IN THE time it takes (seven minutes) to walk from the Maids Head Hotel to Norwich's Market Place through "ye olde worlde" medieval pattern streets you can count et least 25 financial groups of one kind or another offering up-to-date interest rates on lending and borrowing.

Nothing unusual in this, you might think. Most of England's historic provincial towns now have their centres pedestrianised. Sites which once housed the butcher, the baker and the candlestick-maker now display well-known names euch as Abbey National and National Westminster bank.

The difference in Norwich is not only that the walking area is more extensive than most other places hut that the range of financial services on offer is broader.

Whereas in Exeter or Winchester one might find branches of Next or Marks and Spencer cheek by jowl with the Woolwich Building Society or Lloyds Bank, one would probably not come across a Barratt and Cooke's share shop or an indigenous merchant bank such as East Trust (formerly East Anglian Securities Trust).

In financial services as in other walks of life Norwich, because it is slightly off the beaten track and is not on the way to any big towns, has developed separately as a regional, and in a sense, national centre.

The city has two legal firms each with more than 50 partners, and these are the dominant lawyers in the East Anglia region. Moreover, because companies like the insurance

In financial services Norwich has developed separately as a regional, and in a sense, national centre

giant Norwich Union were founded in the city and now sell their wares nationwide and abroad, and because Sedgwicks, the large insurance brokers, decided to relocate in Norwich, the financial services sector is an important part of the economic base, i.e. the external income generating part of the economy.

In this sense Norwich Union and Sedgwicks are like major local manufacturing companies in that they do not just service the region. To a degree this is also true of many smaller companies and branch offices in the financial services sector, although clearly many others primarily or solely serve the local population.

The 1987 study by Peter Townroe, from the University of East Anglia, called "Norwich, A Time of Opportunity" said the financial services sector is a major eource of employment locally, overall being about twice as important to the Norwich area economy as it is proportionately to the East Anglia region or to the national economy.

The financial services sector companies are also the principal (if not the only) demanders of space in the Norwich city centre. Preseure for office space is now becoming as acute as the demand for certain kinds of labour.

Office rents have more than tripled in the past five years and in the centre of Norwich offices now fetch around £13.50 a square foot.

When the Townroe report was published two years ago, it estimated that financial services, taken to inclnde banking, accountancy firms, building societies, mortgage brokers, credit and finance companies, finance hrokers and financial consultants, investment consultants, investment trust companies stockbrokers, tax consultants, insurance companies of all kinds, insurance agents, brokers and consultants employed 10,000 people.

This figure is now certainly much greater. Norwich Union alone employs 6,300, compared to 3,000 five years ago. It recently announced it is reducing its minimum requirement for school leavers from five "O" levels to three "O" levels. The joke going the rounds in Norwich is that any school-leavers who can sign their names legibly will be taken on by NU.

Norwich Union's business has grown massively in the past few years. The company basically breaks down into two parts – the Norwich Union Life Insurance Society and the Norwich Union Fire Insurance company. The market value of net assets in the life company, which is a mutual group and strictly epeaking doee not make profits, was £13.9bn in 1988 compared with £2.4bn in 1979. Premiums for the life company grew from £299m in 1979 to £1.5bn in 1988. This was a steady increase year by year without a blip.

Mr Ron Carver, marketing head at the life company, says this side of the business received a fillip in 1983 when Miras was brought in for mortgages. This encouraged the switch from repayment mortgages to endowment mortgages.

Mr Denis Lister, the general manager at Norwich Union, says Mr Carver is being too modest. He says both the life and the fire companies have done very well, increasing their shares of rapidly growing markets because they have been aggressive and successful in their marketing.

Sedgwicks is also expanding. The company employe 1,000 people in Norwich where it established a presence in the early 1970s. Like the NU it is voraciously snapping up school-leavers and looking to extend its office space.

Other companies which are more concerned with regional matters have also been flourishing, if on a more modest scale. After a restructure four years ago and an injection of capital 18 months ago, East Trust, the regional merchant bank, now has a capital of £4m, a loan portfolio of £14m and made profits before tax of £150,000 in 1988. The company is recognised as a bank and has a bread and butter business taking deposits. It thinks of itself as a merchant bank, however, and is active in corporate finance, for all kinds of activities snch as leveraged buy-outs, buy-ins and acquisitions. A third arm of the business at Spalding in Loncolnshire is involved in consumer finance.

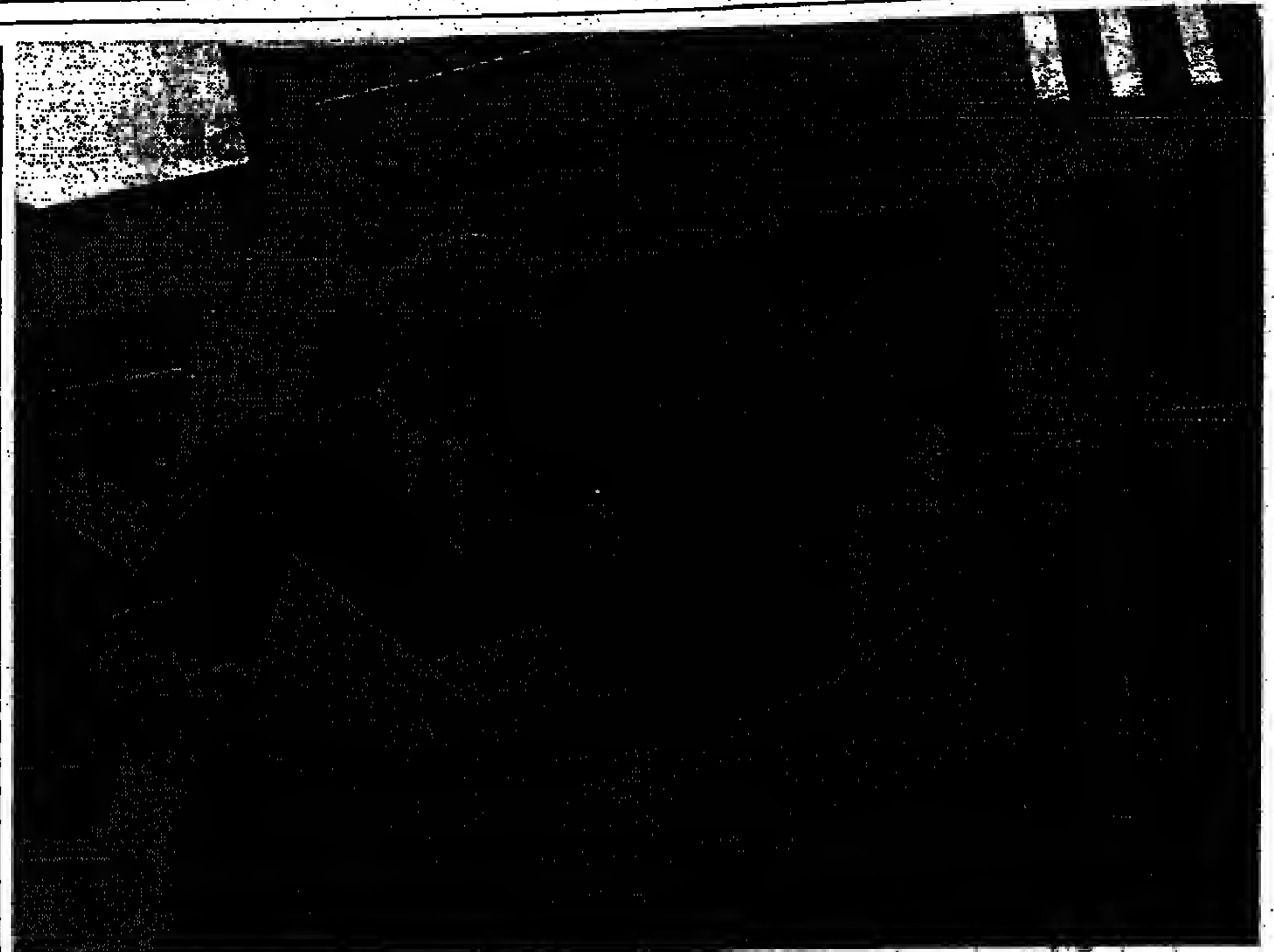
Mr Richard Valentine, one of the group's directors, says there is no shortage of business locally, and the company is looking to expand into new areas. One area being looked at is pensions and fund management. Mr Valentine is keen, however, that any new activities will have "Chinese walls" built round them. "We do not want to find ourselves advising a company on a buy-out, say, and then lending them money if things go wrong. You can get in an awful mess that way."

Mr John Burns, who has his own investment broking company J.C.Burns (Financial Management), confirms that many Norfolk people do want to be advised locally. "People here are a bit insular. They like the idea of someone local handling their money."

Mr Burns came to Norwich originally as investment manager for the Norwich Trust company of a major clearing bank. He is a well-known figure because of his newspaper columns. Although officially an investment adviser, Mr Burns does not sell pensions or involve himself very much with business expansion schemes. He does not sell at all, he says. He handles investment, but no discretionary funds. He says there is no shortage of people wanting his services. There is a lot of "old" money from the land and agriculture but also quite a lot of new money as the region somewhat belatedly gets pulled into the economy of the south-east.

Richard Valentine (left) and Charles Wall, of East Trust, the regional merchant bank

Denis Lister, Norwich Union's general manager



John Barratt and son Charles: stockbrokers first and last

PROFILE: BARRATT and COOKE

Regional prosperity

PERHAPS the company which best exemplifies the idea that by staying local yon can really prosper is Barratt and Cooke, the stockbrokers.

For all intents and purposes this is the Barratt family company. The partnership was started by Legh Barratt, 103 years ago. He used to play cricket for Norfolk when playing cricket was useful for contacts in this line of business. His son John joined the company from the local Gresham school when he was 16.

John's son Charles, now the driving force behind the company, joined when he was 16, again from Gresham school. John Barratt, now 77, is officially retired hut comes into the small offices to help answer the telephones. Charles Barratt says the company has prospered by keeping things simple and doing what they know well.

"We are stockbrokers first and last," he says. "We act for over 10,000 clients in East Anglia. We do not accept clients from outside the region. We do not manage discretionary money. We do not deal in foreign stocks and we do not deal in traded options."

The company does not advise on mortgages, pensions or school fees, although it is looking at the possibility of starting up its own personal equity plan (PEP).

Charles Barratt did work in London for a spell where he represented nine regional brokers, but with modern-day screens, dealing and everything else can be done in Norwich.

The company does have a small presence in London but only, one suspects, because the particular dealer wants to be there.

Otherwise, all business is transacted from the small building in Opie Street in the heart of Norwich. There is one other dealer, Mr Willie Ward Smith, and nine other employees. The Barratts own the property and the share shop opposite freehold, and they do not have an expensive research department. Mr Charles Barratt does it himself, and puts out a newsletter. The company is apparently good on its paper work, particularly its quick settlement notes. "Yon might say we have clerked our way to success," Mr Barratt says.

The share shop was the Barratts most recent coup. Charles Barratt saw the building society shop opposite for sale. He said he would buy it providing the sale was agreed the same evening as the offer. "A share shop has broken a barrier about dealing," he says. "People now go in like any building society."

Recently the shop was very crowded. The Barratts waited to see what the Norwich and Peterborough were selling Abbey National shares for. "It was £10, so we offered to do it for £8."

The Barratts have been in Norwich a very long time and are well trusted. "We have never had a half penny of bad debts," Mr Charles Barratt says.

Mr Barratt is almost anti-London. He is bitter still that a dealer was poached from him during the Big Bang period.

"We can do everything from here. We are well known and we make lots of money." In 1986 the concern made £750,000 before tax.

In 1987, a bad year for stockbrokers, it made £500,000, and for 1988 profits will be higher.

"We are happy here. The local people know that we look after their interests," Mr Barratt concludes.

Stewart Dalby

David Dodwell experiences the calm of Norwich airport

A bridgehead to Europe

FOR the battle-weary traveller fresh from the summer fighting fields of Gatwick, the prospect of flying to or from Norwich Airport must have an irresistible appeal.

After a £45m modernisation programme, including a £2m passenger terminal opened at the end of April, airport capacity has risen to 400,000 a year at a time when 250,000 passengers are expected this year.

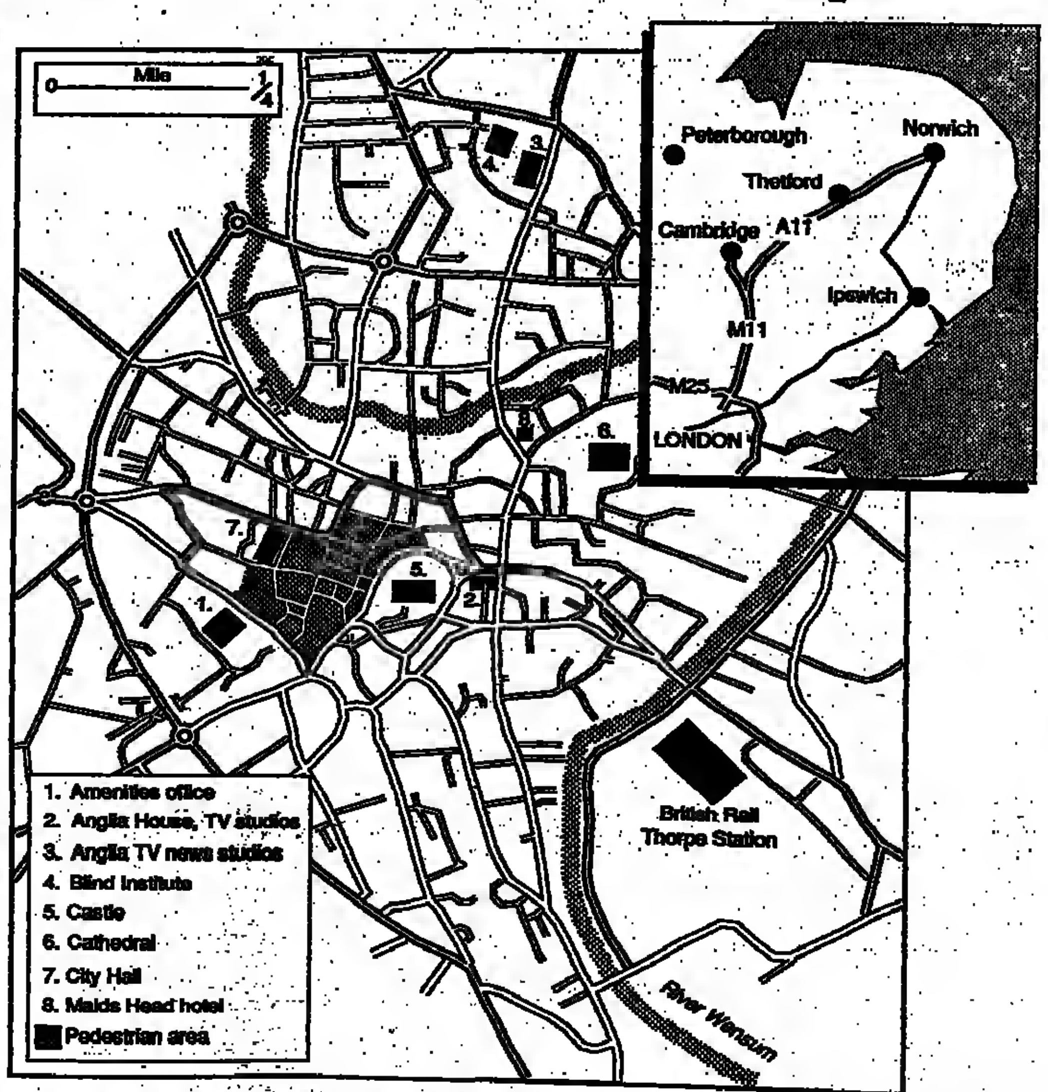
Apart from a weekly scramble as a queue of charter flights to the Channel Islands and to various destinations in Yugoslavia vie to get airborne every Saturday, the terminal has the studied calm of a municipal library. One can park yards from the terminal, and seek information from unflustered staff.

The aces in the airport's pack must be Norwich's location, closer than perhaps any other UK airport to Europe, and its regular flights to Amsterdam's Schiphol airport. With global links to match Heathrow, and a reputation for much higher efficiency, Schiphol is then a springboard to almost anywhere in the world.

The airport began life just before the Second World War, as the home of Hillman Airways. Used for Royal Air Force missions into occupied Europe during the war, it was closed briefly during the early 1960s before being bought by Norwich City Council in collaboration with the Norfolk County Council and developed alongside an industrial park. Throughont the 1960s and 1970s it was totally dependent on the North Sea oil industry for its passengers.

"Matters burbled along unchanged for many years until the Airports Act forced us to become a company on April 1, 1987," recalls Martin Webb, commercial manager of Norwich Airport.

The oil industry will continue to provide steady traffic on scheduled routes to Aberdeen, Humberside and Teesside. But newer routes to Heathrow and Edinburgh – coupled with licence applications for Rotterdam and Paris overseas, and Birmingham, Manchester, Leeds, Glasgow and London City – are aimed at boosting general business traffic and establishing the airport as a bridgehead to Europe.



After decades making losses, the airport has in the past two years shifted into profit. The pre-tax figure in 1987-88 was £420,000, while profits in 1988-89 rose to £805,000, albeit with a £350,000 fillip from land sales. This compares well with most of Britain's 29 airports, nine of which made losses last year, and most of which are much larger than Norwich.

On assets of £16m, the airport's profit nevertheless amounts to a return of just 2.5 per cent. "That is one of the reasons why no-one is talking as yet about privatisation," comments Steve Parsons, managing director of the airport. "In the private sector, yon would have to make a 20 to 30 per cent return – otherwise the temptation would be very strong to asset-strip."

The airport is focusing effort on boosting freight business – which is very modest, but grew 30 per cent between 1987 and 1988. A new freight centre, opened last month, is expected to to handle future freight traffic well towards the year 2000.

Also due to be completed by the end of the year is an Air UK hangar able to service two Boeing 737s or a single Airbus, while a new 110-bedroom Airport Ambassador Hotel is due to open in October at a cost of £3.5m.

With plans for a business park adjacent to the airport under debate, there seems every likelihood of strong traffic growth into the early 1990s. The conundrum then is how quickly the airport terminal will overflow its capacity. In spite of management conviction that capacity limits should have been set higher, two public inquiries in recent years have maintained a ceiling of 400,000.

"The conclusion was that a smaller terminal would contain growth of through traffic to a manageable level," recalls Martin Webb in a tone that is still incredulous. If he is right, and passenger traffic continues to rise at around 15 per cent a year, then Norwich may come to resemble the Gatwick fighting fields uncomfortably soon.

BIOTECHNOLOGY

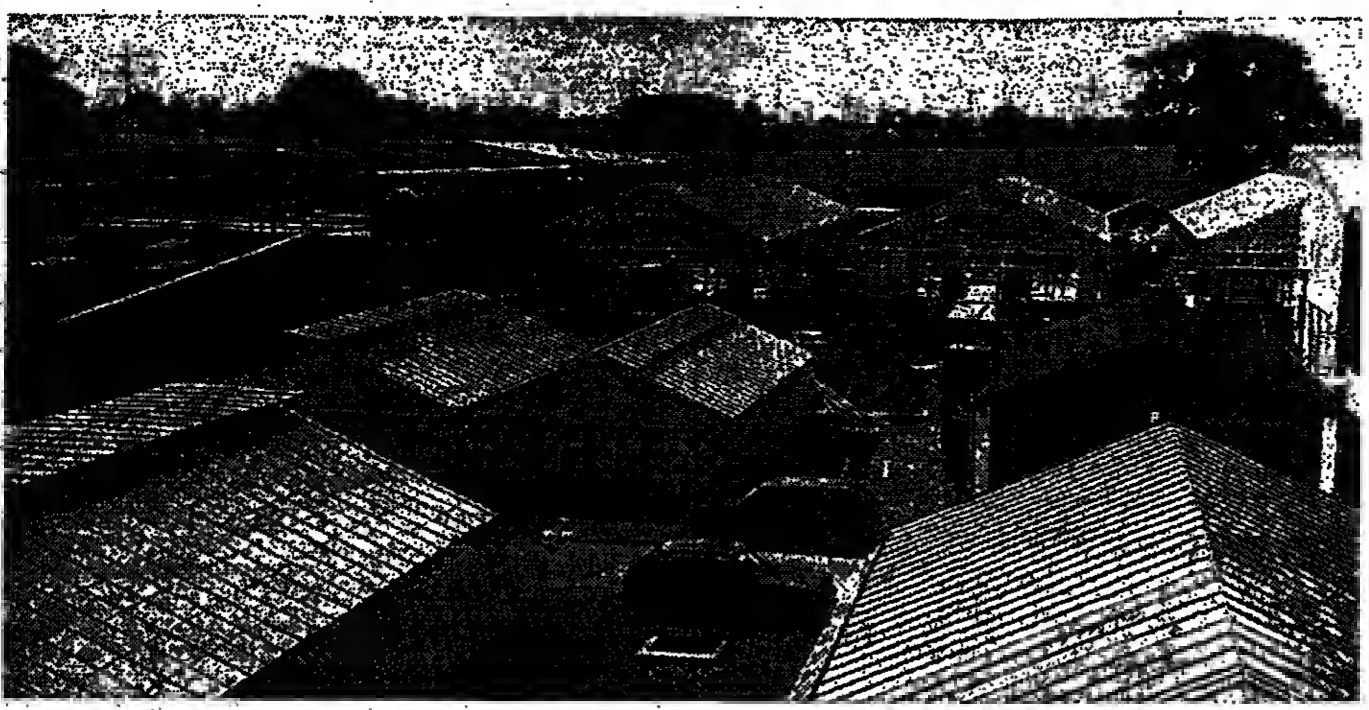
Leading centre for research into plant and food sciences

PEPTIDASES, polysaccharides, polypeptide emulsifiers and geminiviruses may be gobbledygook to most Norfolk people, but they are bread and butter for almost 1,000 research scientists on Norwich's Colney Lane.

This aggregation of biologists, geneticists, plant technologists and food science researchers – working in four institutes on the leafy western edge of the University of East Anglia – make Norwich one of the world's leading centres for biotechnology and plant and food science research.

Yet their work goes largely unnoticed in the local community – as ill understood as the polysyllables that drape their daily lives – and the potential for local industry to draw upon their expertise goes largely untapped.

The strong agricultural base in Norwich and its environs makes it a natural home for food industries and food and plant research. Economists at the University of East Anglia have traced almost 50 Norwich companies that process agricultural or food products, employing around 5,000 people.



Plant science: John Innes Institute (above and below) undertakes research into genetics, cell biology and disease

Largest among them are Bernard Matthews – the breeder of "Bootiful" turkeys and creator of a myriad turkey products – and B. Brooks in meat processing; Rowntree Mackintosh in confectionaries; and Colman Foods, part of the Reckitt & Colman group, famous for its mustards, and now its drinks and food flavourings.

But how extensively do such companies draw on the formidable resources of Colney Lane? According to Dr Peter Townroe, a university economist and author of the 1987 Norwich Area Economic Study: "We have found some links with local companies, but they are not as strong as we expected.

"Both the university and the research institutes have extensive industrial links elsewhere in the UK and internationally;

The strong agricultural base in Norwich and its environs makes it a natural home for food industries and food and plant research

and they are being encouraged by their principal paymaster, central government, to develop these links further."

Is such a trend likely to result in manufacturing investments in the Norwich area? Dr Townroe answers with a "qualified yes", but existing manufacturers such as Colmans or Bernard Matthews would probably say: "It is hard to see why."

This is not because the research is not of considerable commercial value, but because of the central government's confused policies towards near-market scientific research, and because of the *ad hoc* way manufacturers plug into the work of institutes such as those at Colney Lane to complement their internal research programmes.

At Colman Foods, Philip Strachan, director of research, pinpoints the conundrum: he will go outside only when product security allows it, and then if it is more economic – for example, where highly expensive equipment is needed – or if the research demands skills that he cannot justify in-house.

His first port of call outside the company will not be a research institute, but one of the research associations which are funded directly by industry and are focused on near-market research. Only on rare occasions will he resort to a government-funded research institute.

And on these rare occasions, the research needed is likely to be so specific that there might be only one or two institutes worldwide that could do it – which hardly provides a rationale for locating near to such an institute. At present, Colman's only such project is being carried out at Nottingham University.

At Bernard Matthews, David Joll, managing director, revealed that in spite of his company's headquarters just north of Norwich, and its substantial food research needs, no work is done around Colney Lane.

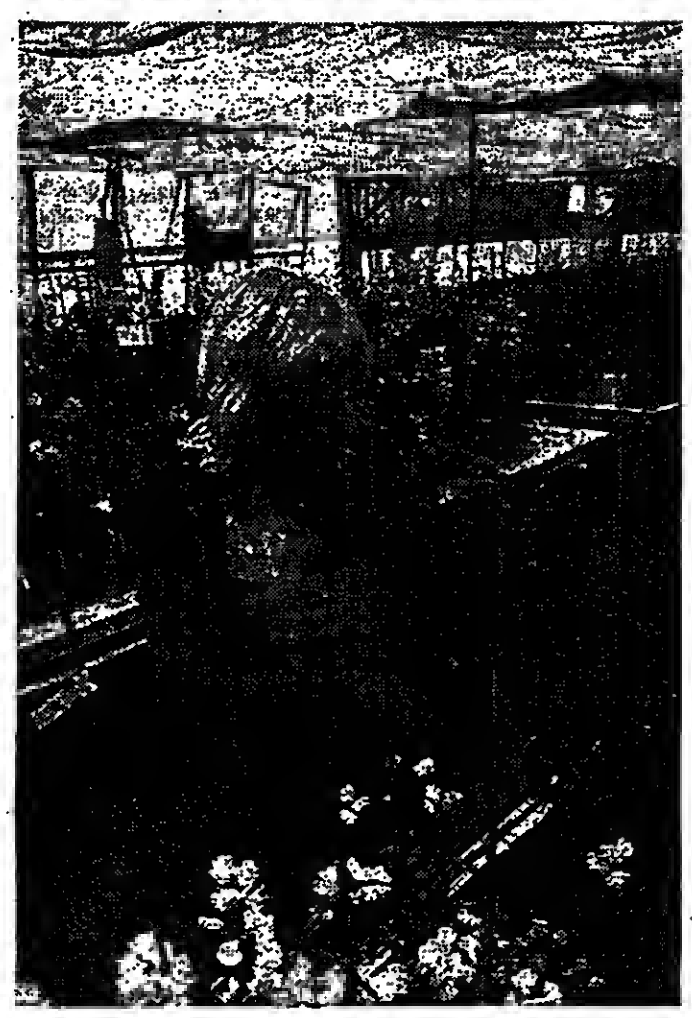
Instead, the company uses research associations, and funds a department at the Bristol laboratory of the Institute of Food Research (IFR) (a sister laboratory of the IFR laboratory in Norwich) which is now *being closed as a result of government* rationalisation of national research.

Like Colman Foods, his company takes the research to the institute, and sees no compelling need to locate next door.

Foremost among the Colney Lane establishments is the John Innes Institute, which moved to Norwich from Hertfordshire in 1967, and has close links with the university's School of Biological Sciences. It is today one of the world's

'Government equivocation over how research should be funded has led to uncertainty and discontinuity' – Professor Dick Flavell

foremost centres for research into plant genetics, cell biology and plant disease.



Nearby, and making up the "Colney Lane group", are the Institute for Food Research, a new Ministry of Agriculture Food Science Laboratory, and the British Sugar Research Laboratory. Add to this the research activity at the University of East Anglia, and an adjoining BUPA Hospital, and the area has a formidable research community of rare strength and diversity.

With the imminent transfer to the John Innes of that part of the Plant Breeding Institute at Cambridge which has not been sold by the government to Unilever, and the near-completion of the Sainsbury Laboratory, which has £15m of funding from the Gatsby Foundation over the next 10 years *for* research into plant pathology, the institute has *been a solitary beneficiary in* an otherwise grim national environment for biotechnology research.

"Norwich happens to be the lucky one," comments Professor Dick Flavell, the institute's director. He says that government equivocation over how research should be funded has *led to uncertainty and discontinuity.* "There isn't a coherent policy. The government comes from a philosophy that does have some merit – that if industry is to be a beneficiary of research, then it ought to pay more towards it. But it has not shown how it gets the philosophy to work in practice."

He notes that little industrially-sponsored research will be for more than three or four years, and that no coherent long-term programme of research can be based on such a time-scale. The 10-year endowment from the Sainsbury family is seen as an exception that proves the rule. "It is a wonderful gift," says Professor Flavell. "But I don't know of another gift in the country like it."

Professor Harold Woolhouse, director of research for the sister Institute of Plant Science Research, sees the government funding on which the John Innes depends as often being misdirected. Despite "spectacular progress" and "the obvious commercial opportunities" in the introduction of DNA into crops ranging from maize, rice and potatoes, to tomatoes, rape sugar beet and cotton, none of the funding from the Agricultural and Food Research Council – which accounts for half of the institute's funding – is directed at this area.

Prof Woolhouse argues that Europe's sugar beet crop is doomed without increasingly substantial protection: "The *only real hope for the long-term future of the beet crop is* to genetically transform it so that the root becomes a vehicle for the production of high value chemicals; yet no levy funding is directed towards such research, even though it could offer a potential lifeline to sugar beet farmers."

Across the road at the Institute for Food Research about one eighth of *funding* comes from the private sector – and most of this comes from companies overseas. This is in spite of the fact that the institute's research is often of direct commercial value, whether it is devising food quality tests – including kits for listeria or salmonella – designing microencapsulators for the active ingredients in pills and food processing, growing "hairy root" cultures for cheaper pharmaceutical and natural food colourants, or manipulating lactic acid bac*teria to speed the maturing of* Cheddar cheese.

Dr Henry Chan, deputy head of the IFR, is anxious, like his colleagues at the John Innes Institute, about shifting the balance of research too far in the direction of immediate industrial needs. "Of course, we can mount contract research for industry, but *it is* rather like using a Rolls-Royce to carry cardboard boxes," he notes.

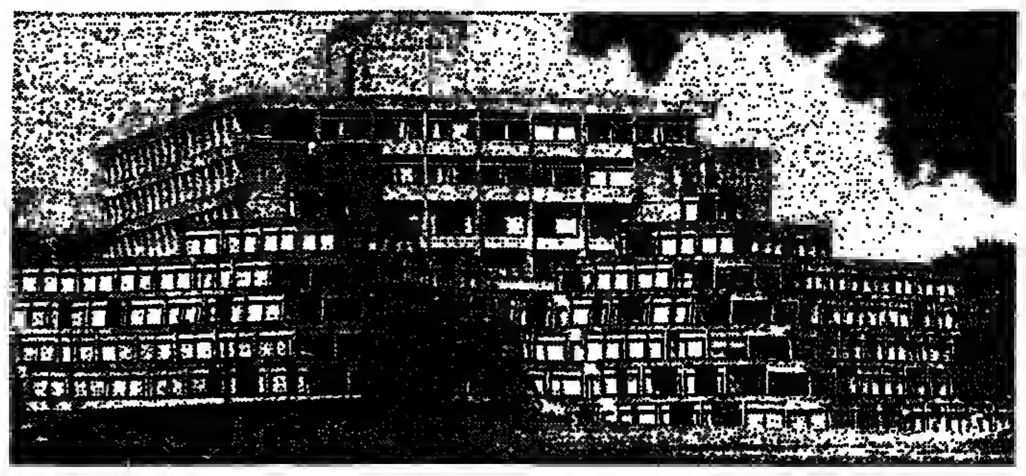
Despite pressing needs for food research, he predicts that most of the IFR's work will focus on health, pharmaceutical, and paramedical research in the near future – for the simple reason that pharmaceutical companies devote an average of 10 per cent of their profits to R&D, while food companies average little more than 1 per cent. Again there is no obvious need for clients to locate on the IFR's doorstep.

The only real hope for the future of the beet crop is to genetically transform it so that the root becomes the vehicle for high value chemicals

Talk persists nevertheless of a Food Science Park or Biotechnology Park located close to Colney Lane – with half an *eye cast across the fens to the* successful Cambridge Science Park. Accountants Peat Marwick McLintock have completed two confidential studies for John Innes on the feasibility of the idea, and are understood to have reached positive conclusions.

When or in what form such a park would come into being remains unclear – as does the *matter* of what companies would be spawned there. After the past 18 months of hectic growth, no-one would be blamed for preferring to let the dust settle around them a little before making such decisions.

David Dodwell



Painful surgery: the University of East Anglia was hit by the 1986 higher education cuts

UNIVERSITY OF EAST ANGLIA

Same difference

AS MRS THATCHER'S cuts in higher education funding were *first thrust upon the University* of East Anglia, its proud no-nonsense motto of *"Do Different"* might easily have been transformed to *"Do Disastrously"*.

Professor Derek Burke arrived in January 1987 as UEA's new vice-chancellor to be faced by the prospective abandonment of undergraduate programmes in the School of Development Studies, in music and even in physics. Could he have foreseen that his experience gleaned from four years in business management in Toronto would have been drawn upon so soon, and in such extreme circumstances?

Two years later, the surgery is all but complete, and an annual 16 per cent has been cut from the university's budget. Almost 200 posts have been lost, leaving 1,400. But none of the undergraduate programmes has disappeared. Professor Burke says the university will report a loss of £160,000 in the year just ended, but will break even in 1989-90.

The School of Development Studies has fewer undergraduate places, and more funding comes from contract work by the Overseas Development Group. An undergraduate course in Interdisciplinary Physics is now offered in the Schools of Biological and Environmental Sciences, and Chemistry.

The Damoclean sword still hangs over the long-term future of the music programme, but hopes are high that local funding can be secured before the sword falls.

UEA, born in 1963 as one of Britain's seven post-war universities, was one of the worst hit in 1986 by the Government's higher education cuts.

Doing Different had led, perhaps inevitably during the heady idealism of the 1960s, to a greater emphasis on non-vocational degrees than in most other universities.

Perhaps most significantly when cuts were being forced by government, it had led to experiment with teaching methods, and a commitment to using seminars rather than lectures - a *luxury* the University Grants Committee (UGC) decided it could ill afford at a time of such extreme austerity.

With major surgery over, Professor Burke is now focusing on rebuilding morale and on a strategy for future growth: "We have to build oo our strengths, look for market niches and find more outside funding," he observes.

One obvious strength is in biotechnology, and in reinforcing the already significant links between the Schools of Biology, Chemistry and Physics and the neighbouring "Colney Lane Group", which embraces almost 1,000 scientists working in biotechnology and plant and food sciences at the John Innes Institute, the Institute of Food Research, and the Ministry of Agriculture's Food Science Laboratory.

A second area of growth is in Environmental Sciences – a set of related disciplines which raised sceptical eyebrows when first mooted in the early 1960s, but are today recognised as being of critical importance.

The university is also trying to build on its regional role as the only institution of higher education serving Norfolk and Suffolk. The 1987 Norwich Area Economic Study, led by Dr Peter Townroe in UEA's Economic Research Unit, provides a striking example of the fruit of such efforts. The study still provides the framework for all regional development planning.

Developments in the study of occupational therapy, in the Centre for East Anglian Studies, in management education, in the provision of part-time degrees, and of a large programme of short courses aimed at meeting the training needs of local industry, commerce and the professions, are other indicators of UEA's growing regional role.

After a 16 per cent leap in applications last year, the rise in demand for places at UEA for the coming year is a more modest 2 per cent – compared with a national average of 9 per cent. Professor Keith Clayton, who is responsible for applications, sees in this discrepancy no cause for concern – more than anything else, the figure reflects a stabilisation at already "embarrass*ingly high*" levels of *applica*tions to study degrees like English and American Studies under Malcolm Bradbury, or law, or drama, he says.

The catch-all figure also disguises a 15 per cent leap in applications for science places – where most of the university's promotional effort is being targeted.

One lesson indelibly learned over the past three years has been the danger of too heavy a reliance on government funding. In his most recent annual report, Professor Burke talks cryptically of "the shifting sands of national (education) policy", adding: "Anyone who believes that universities have had a stable base on which to plan over the past decade should recall that in one year alone, the UGC's recommended planning numbers for UEA were changed no fewer than three times."

The UGC grant accounted in 1987-88 for almost 65 per ceot of the university's £25.7m funding, with tuition fees accounting for just over 19 per cent, and research grants and contracts a mere 12.3 per cent. In the year just past, the UGC share of funding slipped to 63.5 per cent of income totalling £26.4m. A £300,000 jump in research grant and contract finance boosted this share to just over 13 per cent – a trend the university would like to see continue.

The question for Professor Burke is how rich a source of funding, industry or the private sector is likely to be – or should be allowed to be? "Universities are still about education, not about training," he observes. "One has to be very cautious about assumptions outside the university that there can be a substantial shift from government to non-government funding."

With a motto like *Do Different,* one expects Professor Burke to emerge with some novel solutions to the problems of future growth. However, in the university's most recent prospectus, he notes that *Doing Different* is akin to *Doing Better.* When one takes account of the recent painful surgery that is due at least in part to 25 years of doing different, maybe just doing better will have to suffice.

David Dodwell

The launch of a new Lotus two-seater sports model is expected to double car output

David Dodwell examines the industrial diversity of a city more renowned for agriculture

Prospects look better than anywhere else

MENTION Norwich, and an average outsider might think of a football team, or perhaps of agriculture. A sophisticate might think of the shoe industry, and of mustard. The message that Norwich is not renowned as a manufacturing centre would, needless to say, ring clear.

There are five areas in which Norwich boasts strength as a manufacturer: after shoes – with Bally, Van Dal and Startrite – and food processing - with Colman Foods, Bernard Matthews, and Rowntree Mackintosh best known out of a total of 47 companies – it points to printing and publishing, timber and furniture, and an array of light engineering and electronics.

But the past two decades have seen these industries in steep decline nationwide, and Norwich has been no exception. Its manufacturing workforce fell by about 17 per cent since 1971 to a point where it accounts for just a quarter of the total workforce. Growth has come instead from the service sector, which has seen a 28 per cent expansion over the past 18 years, and where Norwich Union today devours the great majority of new school-leavers.

The industrial sector has steadied since the traumas of the early 1980s, which saw the near-collapse of prominent local engineering groups such as Laurence Scott and Electromotors, and Boulton & Paul, and most today are projecting modest growth from a higher-tech base.

Bernard Matthews, who started his turkey-breeding career in 1950 with just 12 turkeys, today employs 2,600 workers, and breeds 8m turkeys a year on 20 farms across the area. Sales in 1988 amounted to £135m.

Colman Foods, famous for its mustards, but known nationally for its food flavourings and Robinson's drinks, has grown well - if not so giddily as Bernard Matthews. It employs 1,200 staff at its factory in the heart of Norwich, and generates annual sales within the Reckitt & Colman group of more than £115m.

Lotus Cars, based at Hethel just south of Norwich, has emerged from crisis in 1982 coinciding with the death of its founder, Colin Chapman, and is the region's leading engineering group, assuming the mantle once worn by Laurence Scott as the main trainer of skilled engineers in an area chronically short of apprenticed technicians.

As its engineering and consultancy arm has grown tenfold over the past five years alongside Lotus's traditional car-making business, so the workforce has grown to 1,600, with total sales last year nearing £50m.

The launch of a new two-seater sports car this autumn, the result of a £30m investment programme, is expected to double car output in the coming year.

The new car launch is more than usually significant in that it came at the end of long internal debate over whether to move operations out of the Norwich area – perhaps to Northern Ireland or an area like Corby – where substantial government grant aid would have been available to set against the cost of expansion. The decision to stay put, in spite of acute local skills shortages, was in the end an emotional rather than a financial one. "Because we are a customised producer, providing a rare item, we are very much a people business," explains Michael Kimberley, chief executive. "Financially, we probably lost out, but it is impossible to put a cash value on the superb staff relations we have at Hethel."

The shortage of skilled engineers is a problem that is likely to constrain the growth of the manufacturing sector

The shortage of skilled engineers in the area is a problem that is likely to constrain not just the growth of a company such as Lotus, but of the entire manufacturing sector.

An additional constraint, according to Dr Peter Townroe, an economist at the University of East Anglia, is an acute shortage of land suitable for industrial expansion.

The problem has attracted official attention, but so far little more. A 10,000 sq ft Business Park is planned near Norwich airport, but still the shortage is such that rental costs have risen from around £8 per sq ft two years ago, to around £13 today.

A glint in the eye of Norwich officialdom, and of more than a few research scientists in biotechnology and food sciences in, or associated with the University of East Anglia, is the idea of a Biotechnology or Food Science Park near Colney Lane, west of the university campus. This would, of course, aim to create a wholly new thread in the local manufacturing sector.

Most of those actively involved with canvassing such a park suggest that progress will be slow, and that investors are unlikely to be from the locality. The specialist nature of ventures on such a park also suggests that staff would largely be brought into the region, rather than being drawn from Norwich's existing labour force. What impact such a development would have on the area can at present only be guessed.

One further possible catalyst for manufacturing growth could be the unification of the European market in 1992. Norwich, as one of Britain's eastern-most cities with regular direct flights to Amsterdam's Schiphol airport, is a potential beneficiary from investment from companies keen to use a springboard either for access to Europe, or for access to the UK from Europe.

At present, views differ on whether Norwich could gain from such a springboard role. "I don't believe in geographical determinism," snorted Dr Townroe in an impatient tone that implied he had had discussions on this subject once too often.

Whether or not Norwich is destined to benefit from a European role, prospects for Norwich's modest manufacturing sector appear more buoyant than almost anywhere else in the UK.

With unemployment at about 4.8 per cent, the city council's Economic Development Officer, Mr Richard Packham, comments: "We are working on labour supply, not labour demand." In which case, he must be the envy of many development officers countrywide.

Spicy attraction: Colman's Mustard Shop in the city centre

PROFILE: JARROLD AND SONS

The art of creating a good impression

JARROLD and Sons has been printing in Norwich since at least 1820. Today, though, the techniques used are vastly different. As a printer it specialises in high quality colour printing of magazines using the latest machinery.

Jarrolds is family-controlled and has Mr Peter Jarrold, a descendant of the founder, as its chairman. It also has a department store in Norwich and some shops in Great Yarmouth, Lowestoft and Cambridge. Jarrolds is also a publisher, and a stationer. Recently it has been acting as agent for some computer concerns. But more than 50 per cent of its turnover of £68m comes from printing.

Its printing operations fall into three categories – high quality magazine printing, catalogues and calendars and picture guide books, some of which it also publishes. The magazine include one for the Independent newspaper, Departures, the travel magazine for holders of American Express gold cards, and Good Housekeeping. Jarrolds publishes the Littlewoods catalogue and does some work for Marks and Spencer.

Mr Desmond Clark, managing director of the printing arm, says the industry is obviously going through great changes. With desk-top publishing becoming more sophisticated more customers are doing their own typesetting.

Mr Clark says Jarrolds offers a one-stop printing operation, including design. It does not matter too much if the typesetting has been done provided Jarrolds is given the job of colour reproduction. "The real secret is to know your markets and customers well and to offer a good, reliable service. There are so many printers now competing on price that a good service is the way to keep clients," he says.

Mr Clark says to be competitive there is a constant need to invest and be up-to-date with printing equipment. He guesses that the industry is only some five years away from filmless colour printing and the stage where text and colour can be manipulated by a single piece of technology.

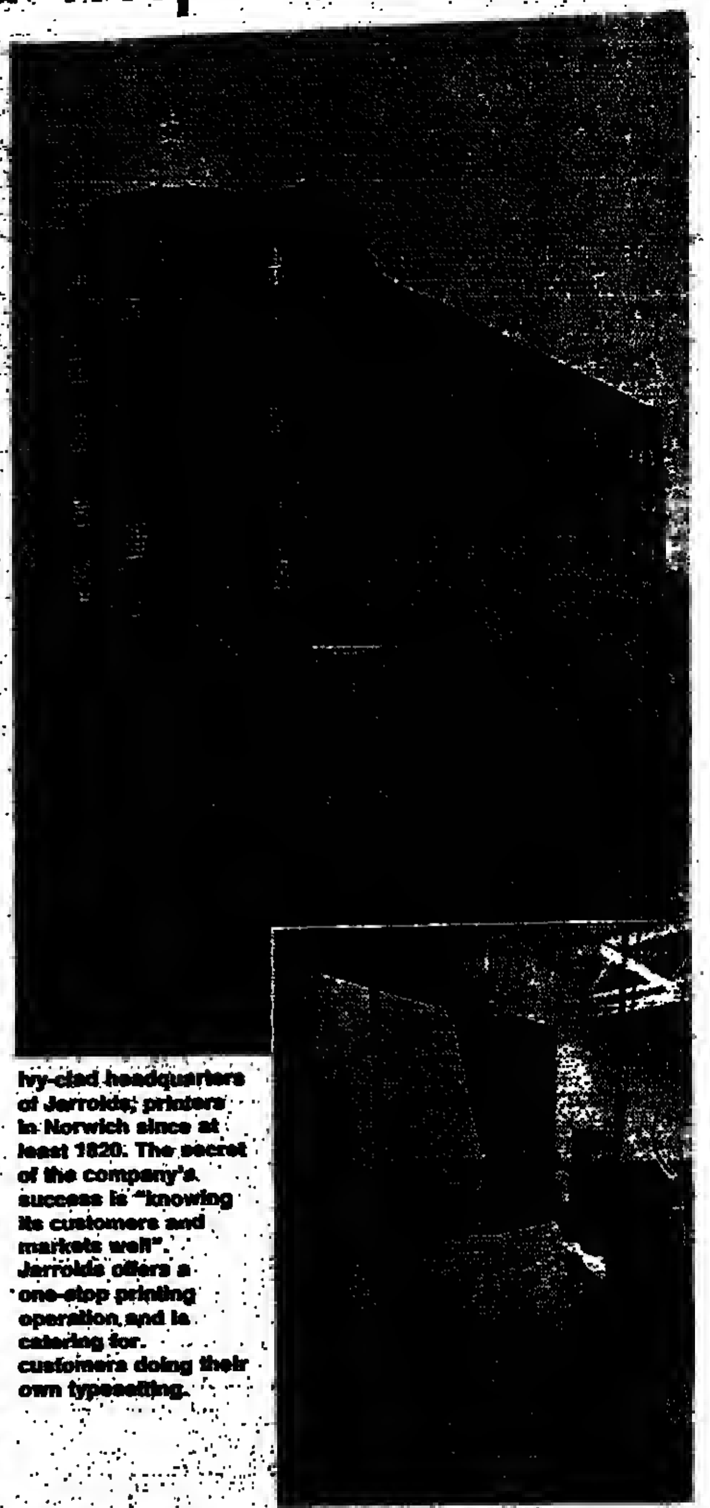
Over the past five years, Jarrolds has spent £10m on new plant and machinery and it has a very modern factory on the banks of the river Wensum, where 630 people are employed. The printing operation accounts for a good proportion of the group's profits which last year were £5m before tax. The group as a whole has more than 10,000 employees.

Her Majesty's Stationery Office is also based in Norwich but has not been there as long as Jarrolds. The HMSO relocated to Norwich at the end of the 1960s and now employs some 1,300 in the city. Although it is a publisher of books and all kinds of government forms and leaflets, and a printer itself, the bulk of its turnover comes from print buying, i.e. placing work with more than 1,000 printing contractors, and procurement. Originally a procurer of stationery for government it is increasingly buying and advising on sophisticated office machinery and computers.

HMSO has an annual turnover of £350m on which it makes a "modest surplus" which goes to the government. Since it was turned into an executive agency some years ago, the HMSO has bit by bit been working along more commercial lines. Some of its executives would like the agency to be put on a more commercial footing by being allowed to deal for customers other than government departments, but this still seems soma way of.

Recently, however, the agency was allowed to drop its civil service grading system. This should enable it to compete more actively in the increasingly tight labour market in Norwich, and further the process of commercialisation.

Stewart Dalby



Ivy-clad headquarters of Jarrolds; printers in Norwich since at least 1820. The secret of the company's success is "knowing its customers and markets well". Jarrolds offers a one-stop printing operation and is catering for customers doing their own typesetting.

Regulated trap to lure more tourists

Continued from Page 1

underpromoted. The castle, for example, has an interesting museum covering medieval archaeology, arms and armour, ceramics and natural history dioramas, and also an excellent small art gallery specialising in modern works. Mr Simons at Nata feels the museum should be pushed more actively and possibly redisplayed.

The TDAP is also looking at the possibility of developing an entirely new attraction, for which it could become renowned. The authorities looked at the Viking Centre at York but rejected this on the grounds that one Viking centre is probably enough. Instead, the TDAP is considering the development of a merchants quarter, a sort of museum cum craft area which would reflect the city's mercantile past. Before the industrial revolution, Norwich claimed, along with York and Bristol, to be England's second city.

The merchants' quarter could become part of a six-acre site down by the Wensum river. The rest of the site could consist of shops selling arts and crafts, and residential properties.

Such a development, which would probably cost about £25m, would be almost opposite a large 20-acre project near the station. This would have marinas and houses and shops near the river and three bulk retail sites further away from the river and near the football ground.

In terms of objective number two, improving the accommodation stock, two new hotels in the category of three to four star are going ahead, one of 84 rooms by the Friendly group and one of 105 rooms by the local Wherry group. There is also talk of a budget hotel close to the airport and a large 180-room hotel in the city centre.

The Maids Head hotel, one of the two main hotels in the city, is now undergoing an extensive and very noisy refurbishment.

One important aspect of enhancing visitor experience, which is another objective of the TDAP, is to improve customer services in the hotels. To this end the Nata has set out plans to increase professionalism in the industry by maximising the opportunities for training in customer service management and related topics.

Although there are a number of theatres, and First Division football, the TDAP believes that in some amenities the city is deficient. There is a lack of bad weather facilities especially for swimming. There is also thought to be a shortage of evening entertainment particularly for families and older people.

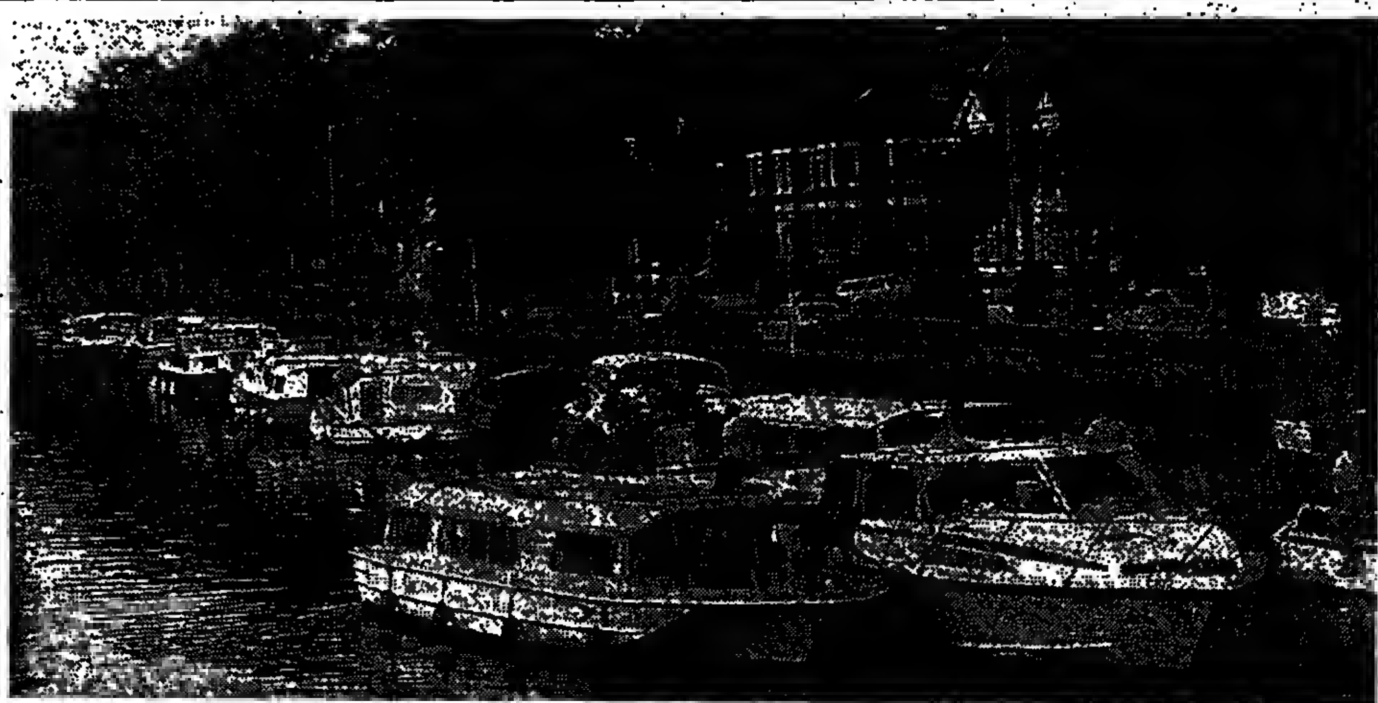
The TDAP encourages the development of restaurants and an events/activities programme to provide night-time focus and atmosphere.

In its promotional strategy the TDAP intends to undertake market research, so that it can indentify the markets more accurately. What it really requires are not so much day trippers but higher spending groups of people, such as businessmen, taking short breaks or sightseers making heritage and cultural visits.

Put in its simplest form what the TDAP aims to achieve is to greatly increase the tourist spend (by at least 25 per cent over the next three years) without commensurably increasing the number of tourists.

Anyone who cherishes Norwich as it now is, will say amen to that.

Stewart Dalby



Beautiful Norwich can compete on equal terms with other heritage centres

ARTS

Pictures at an East End exhibition

William Packer reviews The Abstract Connection at Angela Flowers' gallery

Angela Flowers opened her second gallery, Flowers East, at Hackney (199 Richmond Road E8), late last year, as a secondary space where ehe might keep the her artists' work more readily available to particular clients, and perhaps put up larger shows from time to time.

By early summer, the venture's manifest success, despite its apparent suburban remoteness, and the lease falling due on her principal gallery in Tottenham Mews, persuaded her to close the one and commit her efforts entirely to the East End. Thus Flowers East is the Angela Flowers Gallery, some 20 years on from its foundation and at its fifth translation, flourishing under the partnership of Angela and her son, Matthew, in an ample warehouse that affords three distinct spaces, four at a pinch.

The current show in the two lower galleries is called "The Abstract Connection" (until September 17), but it is hard to see quite what the connection is. It can only be the practice of a more or less expressionist abstraction, demonstrated here in a handsome miscellany of mostly huge canvasses by artists invited in for the occasion – connection enough perhaps, hut hardly definitive. In the event the work is good enough in the particular to need no blanket justification, and yet it does make one or two collective points, albeit unintended.

Eleven artists are represented, ranging in age from the twenties to the seventies, and while nene lets the side down, the contribution of the middle-aged and senior contingent is the more truly distinguished.

We live in a time when figuration is supposedly in the ascendant, abstraction passé, and yet in the work of such artists as Prunella Clough, Albert Irvin and Terry Frost, we see the fruit of a lifetime's commitmant to a personal vision quite independent of the vagaries of critical fashion.

In a way theirs has been the easier course, for they had made that commitment in times when the abstract-or-figurative debate was a serious issue, and went on to confirm their reputations before unthinking reaction set in. The affirmative hedonism of Frost and Irvin, so different in kind yet so close in aympathy, remains a delight, while the quietly considered aestheticism of Miss Clough makes her long critical neglect inexplicable.

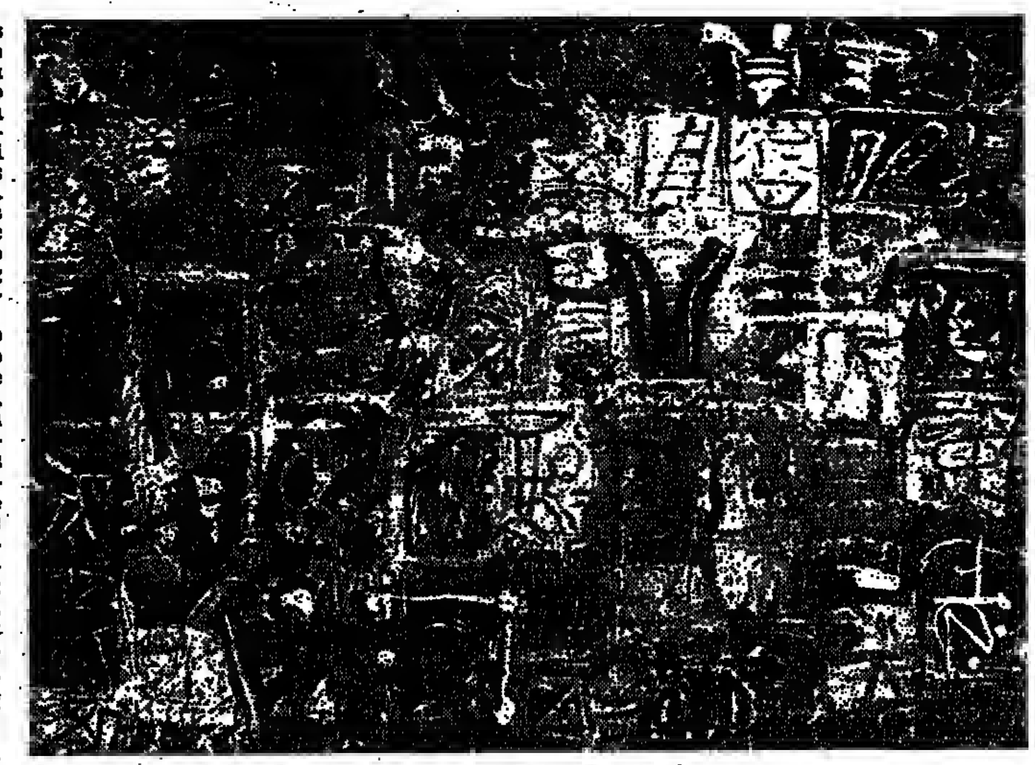
But the middle generation, represented here by Jennifer Durrant, Basil Beattie and Alan Gouk, after early encouragement, had to stick it out while the tide of fashionable support turned quite against them, and at just the point when their work was moving into its full maturity.

A late consolation is better than none at all, and all three are at last being recognised at their true worth. But even now, in the face of the obvious truth, that for a generation past so much of the most interesting and distinguished of British painting has been entirely non-figurative, only Beattie of this trio has a gallery committed to *him*, the admirable Curwen. His densely hieroglyphical surfaces, redolent of secret histories, grow ever more splendid.

As for Gouk, the worthy theoretical simplicities of the past have given way to work that is no less simple, but fuller, more ample and unself-conscious in the statement. The struggle no doubt remains, as it must with all art, but the evident, puritanical celebration of it is well lost for this more ambiguous reading and truer authority. And Miss Durrant continues with her amorphous, organic imagery, full blown and yet so delicately seductive, drifting gently just beneath the surface, as of a pool.

The five artists who make up the group, Philip Diggle, Yuko Shirashi, Sarah Shane, Dave Dawson and Mikey Cuddihy, are inevitably overshadowed in the company, but not at all disgraced. Indeed, simple as it is with but three vaguely anatomical elements floating free on an unstretched canvas, Miss Cuddihy hangs between Beattie and Miss Durrant, an admirably stringent complement and corrective to so rich a diet.

Abstraction of another sort fills the ICA, where the German painter, Gerhard Richter, is showing his latest sequence of paintings, "18.Oktober 1977" (in association with Anthony d'Offay: until October 1). Richter has always worked from photographic reference, but not to achieve any purely photographic realism. The effect is entirely painterly, with a surface as rich as butter, the image drawn out of focus by the slow, regular drag of the brush. The eye is drawn close to the surface, to read its texture and the manner of its making. In this immediate confrontatin, the work is what it is, and nothing more, the imagery merely the creature of formal, abstracted disposition.



Basil Beattie's work exhibited at the Flowers East gallery

Yet it remains oddly photographic even so, in the residual, sometimes almost subliminal quality of reference to the original image, which Richter rationalises obliquely in terms of making the photograph anew for himself. And as the viewer comes back from the purely formal and abstract consideration of the work, so the nature of the actual reference becomes inescapable.

The date in the title is that of the deaths in the Stammheim prison of three members of the Red Army Faction, Andreas Baader, Gndrun Esslin and Jan-Carl Raspe. The question, of whether these deaths were in fact the suicides they were claimed to be or something more sinister, seems to interest Richter lese than the taboo that has proscribed any full re-examination of that qnestion in Germany ever since.

The images, taken from the official photographic record, retain all their ambiguity, for their lack of the focus keeps them on the edge of full recognition, and their physical elegance disarms the horror of their subject, as do Warhol's similarly distanced images of car crashes, corpses and electric chairs. This is no radical *chic, no easy retrospective celebration* of terrorism. The subject is death and the pornography of death, considered with consummate irony at arm's length. We are left to ourselves to ponder our own response.

The Crucible

CITIZENS' THEATRE, GLASGOW

Arthur Miller's 1953 play, ostensibly about the late 17th century witch-hunts in Salem, Massachusetts, has long been acknowledged as analagous to the investigative anti-Communist persecutions by Senator McCarthy and his Uo-American Activities Committee.

Most productions, and certainly those in recent years at the National Theatre and Royal Shakespeare Company, dress the characters in period Puritan costume. The Glasgow Citizens' revival, opening the new season in this re-decorated Victorian jewel with its spacious oew post-Modernist foyer, prefers s timeless setting of scrubbed bare boards and stark black suits.

The design of Stewart Laing, pitilessly well lit by Gerry Jenkinson, proposes the fascinating experiment of testing a history play in a modern arena. An audience is also permitted to jump backwards if it wants to, hut the show remains intensely, unevasively real, fully recognisable.

We are denied the consolations of a period drama – the leather jerkins, white bibbed smocks, Cavalier hats and knee-high boots – and thrust instead into an eerily disturbing chamher hshhle of guilt and accusation, adolescent freak-out and righteous condemnation. A community is torn apart, a suburb corrupted. The effect of Giles Havergal's chilling production is to both sabotage an historical pageant and to reinforce the specific power of the general content.

It is like watching an update of *Carrie* in the new, cool world of the designer generation of black-suits. There is little rant. The possessed girls might have come home from an acid-house party, or some such modern version of the diabolic convention in the woods. I sense the input here of Havergal's assistant, Jon Pope of Shadow Syndicate. But the etyla relates also to the clinical, uncluttered method Havergal often adopts as an unconscious antidote, no doubt, to the more lonche, salon-baroque extravaganzas of his fellow Glasgow director Philip Prowse.

Whatever the genesis, the play still grips like a vice. Plainer than usual is the purgatory danger of inexplicable forces erupting in a society that values its moral incorruptibility. Eamon Maguire charts admirahly the tragic downfall of the farmer John Proctor, whose life is ripped apart by the inquisiton and his past adultery with the demonic Abigail, without resorting to explosive histrionics. As John McGlynn's authoritatively sinister Deputy Governor drives the nails in his coffin, Maguire stands, head bowed, hands held stiffly in front of his knees.

Proctor signs the confession then recants the recantation, going freely to his death. The play's freshness as a study in moral rightness, as opposed to righteousness, is due to the youth of the Glasgow actors. The playing is direct and, on the whole, un-mannered, with no attempt to convey Danforth's imposing seoiority except through stage demeanour. The aroma of the community is more traditionally evoked, though, hy Patrick Hannaway's gruffly bemused Giles Corey and Derwent Watson's fussing, Miles Malleson-ish Reverend Parris.

The girls are impressively led by Charon Bourke's clear-eyed, non-gibbering Abigail, and the weightier women directly and powerfully preseoted by Irene Sunters as Rebecca Nurse and Anne Myatt as Elizabeth Proctor. Speed and clarity are the hallmarks here, too. A great beneficiary of the approach is the Reverend Hale of Alastair Galbraith, whose disillusion with his honestly held vocation is dramatically marked by his exit from the court proceedings up the centre aisle and out of the theatre.

Michael Coveney

Sawer's 'Swansong'

RADIO 3

David Sawar's *Swansong*, broadcast for the first time last week, is Radio 3's entry for the 1989 Prix Italia. It is a customised work for radio, specially commissioned from Sawer, and a major breakthrough for the young composer (born 1961), who previously has been known as much for his work as a performer and music theatre director, especially of works by Kagel, with whom he studied in Cologne. His worklist is short, and *Swansong* is by far the most ambitious thing he has done.

Essentially it is a commentary upon a passage from Berlioz's *Evenings in the Orchestra*, a self-contained short story "Euphonia, or The Musical Town," in which an orchestral musician imagines the future existence of a perfect musical world, a town of "twelve thousand people, every single one them, men, women and children, solely preoccupied with making music . . . sometimes they practise all night, just for the sheer joy of playing."

It is Berlioz's own vision of Utopia, the despairing aspiration of an old and embittered composer, whose music had always nagged at the confines of the imperfect musical culture in which he lived. Sawer's text, prepared by Nick Dear, makes Berlioz the narrator – "I do not now think I shall hear my work again," he says at one point, "No more *Fantastic Symphony* . . . no more *Faust* . . ." The text is delivered by an actor (Robert Lang in this recording) and around this narrative thread is assembled a wide range of effects, from Berlioz's "own" solo guitar to full symphony orchestra and chorus. The music either takes off from the text or realises soma of the imaginary instruments from that world which, Sawer fancies, Berlioz might have encountered on his visit to the Great Exhibition of 1851.

Some of this music is spectacularly affective, grand unearthly effects which recall the theatricality of Stockhausen's *Momente*, combined with a fine judgement of smaller-scala sonority. Some of tha most telling passages are those more simple inventions, bare ostinatos and slender melodic lines, giving a range to the work which is genuinely convincing.

Even if the cumulative effect of the work is uncertain – Does the relatively slender story justify such grandiose treatment? – Sawer, the producer Martin Cotton and conductor Rupert Bawden have created a work of genuine radiophonic provenance. Such events are rare on Radio 3.

Swansong's most vivid moment is reserved for the end – "I, Hector Berlioz, am in my sixty-fifth year, past hope, past wild ambition; and every day I say to death: 'Whenever you like. Whenever you like.' Why does he delay?" The orchestra sets out on a lonely threnody, the only point in the work when Berlioz'e own music seems to be echoed. It builds to a desperate, claustrophobic climax, and subsides into the solo guitar once again for a dying close. It is a vividly sustained poetic image, euggesting that Sawer's mnsic is rapidly acquiring the range and technique to tackle projects on a impressive scale.

Andrew Clements

Katya Kabanova

COLISEUM

For this ENO revival of Janácek's opera, the volume has suddenly been turned up. It is not, or not just, a matter of belting it out.

Beyond any previous *Katya* team here, the new cast is of heavy-duty vocal calibre (starting with a Katya who is also a Sieglinde), and the conductor Albert Rosen seizes the chance to let fly with the score.

Everything is projected on a grand scale, with forceful and even importunate passion. Though that isn't evidently wrong – after all, *Jenufa* has a score of near-Wagnerian, or at least Straussian, weight and breadth – one isn't used to it.

In any case this high-intensity performance is very stirring, and such doubts as I have are probably trifling.

Singing her first Katya, tall Kathryn Harries cuts a handsome figure and wields her dark-hned soprano with conviction. Even against Pauline Tinsley's formidably bleak, beaky Kabanicha, one can hardly see her as a downtrodden daughter-in-law: she is a Madame Bovary at the very least, tormented by ideals and romantic frustration.

Perhaps it is no accident that there seems so little to choose between Alan Woodrow's hnshand and Edmund Barham's lover – both well sung, both stolid, hangdog and evasive; Katya might idealise either of them and be equally disappointed.

Some of the broad histrionics wished upon her in David Ponntnay'e production (rehearsed this time by David Sulkin) look tentative still, but – especially in her valedictory scene – she phrases her music with assured subtlety, affecting and beautiful. (Some woolly diction: too many vowels genteelly smoothed into much of a muchness.)

Her mezzo-ish timbre contrasts too little with young Varyara's, though in that role Jean Rigby nicely sheds her usual sultriness to make an innocently lusty village girl.

Her cheerful swain is Peter Bronder at his bounciest, delivering his folksong snatches at full throttle: effective, certainly, though there is something to be said for a lighter, simpler attack from this insonciant pair.

Among the smaller roles Donald Adams' crusty Dikoi again stands out for sharp intentions and incisive words.

He, too, breasts the waves of orchestral sound unscathed. That isn't to imply that Rosen gives his band its head heedlessly.

On the contrary, he secures a compelling sweep (and not merely volcanic climaxes) by canny, knowledgeable control; he simply prefers extremely vivid colours to tha more familiar frail whispers.

And there, of course, he is at one with Pountney's staging and the towering Lazaridis set, not to mention Nick Chelton's spectacular light-show: all determinadly striking, fascinating, obstrèperons. Beyond argument, it works like crazy.

Alastair Muir

Kathryn Harries cuts a handsome figure and wields her dark-hued soprano with conviction

Bruckner's Eighth

ALBERT HALL

The European Community Youth Orchestra has earned a high reputation which continues though its personnel constantly changes. On first encounter they surpass anybody's expectations, and thereafter they never disappoint them; it is greatly comforting to know that Europe has such a pool of up-and-coming orchestral musicians.

At Sunday evening's Prom concert, conducted by Bernard Haitink, they achieved a triumph in Bruckner's Eighth Symphony, a monumental piece which would seem the province of far more seasoned players. Obviously Haitink had worked wonders, but the concentration and stamina of his young performers ware extraordinary.

What is more, the performance came at the end of a long tour: mid-August concerts in every Scandinavian country, and then the Bruckner in Paris, Amsterdam, Lncerne and Dusseldorf hefore this Prom appearance.

It would have been a moot point whether the prior performances made superlative rehearsals for London or rather serious overwork, had the Prom sccount not settled the question decisively in favour of the former. Besides fresh, distinguished contributions by the orchestral soloists (and no more brass-fluffs than one expects in any grown-up performance), the overall balance and blend – absolutely vital in Bruckner – was as round, secure and satisfying at the end as it had been throughout: no sagging, no fraying.

Haitink insisted on the steadiest of pulses, and no tempo more extreme than a fairly urgent (bnt not overdriven) Scherzo and a richly solemn Adagio. This latter, marvellously sustained, showed Haitink at his judicious best; the long paragraphs unfolded grandly, but never pompously, with profound conviction, each successive phrase sculpted for exact expressive sense. On a good night, perhaps, this or that mature orchestra might find still darker gravity in it; but on this occasion one did not miss it, for the sober intensity of the playing was sufficiently potent in its own right.

The opening Allegro moderato had bad similar virtues, and a fine forward impulse. As a performance, however, the enormous Finale was the most remarkahle feat of all. How often does it stretch the audience's attention to an almost painful limit, or fail to hold it at all? This time, with Haitink's refined pacing and his tireless players, it flowed and developed so cogently, without a lapse, that the entire hall was gripped. It was the crown of a genuinely memorahle occasion: may the ECYO offer us many more!

David Murray

Towards Bach

ST JOHN'S, SMITH SQUARE

The 'Towards Bach' festival reached its final destination on Saturday with a performance at St John's, Smith Square of the B Minor Mass.

Even on an oppressively humid night the hall was full and a long queue for returns straggled out of the crypt, a tribute to the drawing-power of Gustav Leonhardt, one of the archdeacons of research into period performance practice who is infreqnently seen in London musical life.

With the medium-sized forces that are the accepted norm these days St John'e makes an ideal venue for Bach choral pieces. Leonhardt had bronght with him as his orchestra La Petite Bande, less 'petite' at two dozen players than their name might suggest, and they were combined with a choral group called Cantata, which seemed to be made up of selected names from the capital's beet-known chamber choirs.

No attempt was made to follow the theory that Bach would have expected the Mass to be performed one-to-a-part, except in the nimble bass passagework of the 'Et resurrexit', which was taken by the soloist Max van Egmond. But then there was barely any requirement in Leonhardt's immensely detailed conception of the score that Cantata seemed unable to satisfy, down to the smallest minutiae of phrasing within each group of semiquavers. Not an 'i' was left undotted, not a 't' uncrossed.

Compared to other 'authentic' practioniers of the Mass, such as Andrew Parrott and John Eliot Gardiner, Leonhardt can sound irritatingly fussy. He likes, for example, to mark the first beat of each bar with a short, jabbing accent. (Even the long held chords of 'Cum Sancto Spiritu' received an extra kick every time they passed over a bar-line.) But what he brings to the music at the same time is a clarity and a hnoyancy of rhythm remarkable even by period standards.

This was a joyous B Minor *Mass. The 'Gloria' danced. The* 'Sanctus' burst into life with almost indiscreet panache. And the concentrated shaping of every note that Leonhardt demanded of his chorus had also been communicated to the soloists, as one could hear from the stylietic unity imposed on Greta De Reyghere and Guillemette Laurens, the soprano and mezzo, and John Elwes's expert phrasing in the 'Benedictus'.

The 'Agnus Dei' fell to the counter-tenor Michael Chance and a fine job he made of it. The wide emotional range of his singing did not sound at all out of place, for Leonhardt's conception of performing Bach is etill vigorously alive and open to new possibilities. He has not given up his place in the vanguard of period musical thinkers.

Richard Fairman

ARTS GUIDE

August 25-31

OPERA AND MUSIC

London

English National Opera, Coliseum. The opening works of the season are *The Magic Flute*, in Nicholas Hytner's enchantingly fresh and funny production, and *Katya Kabanova*, produced by David Pountney. The Mozart revival is conducted by Lothar Zagrosek, and the cast incindes Thomas Randle, Cathryn Pope, Alan Opie and John Connell; the Janacek brings back the Czech conductor Albert Rosen to the Coliseum, and has Kathryn Harries, Pauline Tinsley, Edmund Barham and Donald Adams to leading roles.

The Proms. This year's Proms continue until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-8pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1-50 or £2.

Highlights of the week include Kodaly, Birtwistle, Byrd and Henze (Tue); Beethoven, Brahms, Berlioz and Tippett (Wed); Mozart's *Le nozze di Figaro* is performed by Glyndebourne Opera under Simon Rattle on Thursday.

Paris

The Festival of Paris continues: for information on all events related to the festival ring Paris 48049601, or for information in English 47206898.

Brussels

Jozef Sluys, organ recital. Sweelinck, Cornet, Bohm, Weckmann, Bruhns, Bach. Cathedrale Saint-Michel (Tue) (217 83 45).

Cologne

Radio Symphonic Orchestra, conducted by Gary Bertini with works by Wolfgang Rih, Dieter Schnebel Beethoven, Karl Amadeus-Hartmann (Wed, Thur).

Ludwigsburg Schlossfestspiele. Forum am Schlosspark: *Der Freischütz* with costumes and stage settings by Loriot, conducted by Wolfgang Goennenwein with an interesting cast led by *Michael Ebbecke*, Nany Johnson, Ulrike Sonntag, Uwe Hellmann (Wed).

Theater im forum: The duo Pinchas Zukerman (violin) and Marc Neikrug (piano) play works by Stravinsky, Schumann, Georges Enesco and Beethoven (Thur).

Frankfurt

Frankfurter Feste 1989. This year's Frankfurt Festival with the title of A Common-Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War.

The programme with around 100 performances, attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty. It starts with an international choir festival with 10 different ensembles from various nations, accompanied by the Moscow Radio Orchestra, jointly conducted by Wladimir Fedosssjew and Gary Bertini. There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's *Alexander Nevsky*. Most of the Beethoven symphonies will be played by the Concertgebouw Orchestra Amsterdam, conducted by Riccardo Chailly, the Berlin Philharmonic, Leningrad Symphony, the Saito Kinen Orchestra under Seiji Ozawa. The North German Radio Orchestra will perform Krzysztof Penderecki's Polish Requiem, under the composer. Other highlights include a concert version of *Andrea Chenier* starring Renato Bruson, Franco Bonisolli, Maria Guelegina and the Budapest Radio Choir conducted by Gianluigi Gelmetti, as well as Handel's rarely played *Tamerlano*. There will be also be contemporary music by Wolfgang Rihm, Mauricio Kagel, Michael Sell and Antonio Madigan. Experiments, musical theatre, chamber music, exhibitions and open-air music round off the programme. Alte Oper: tickets available on Frankfurt 069/1340-400. Ends Oct. 3.

Vienna

Haydn Sinfonietta Wien. Beethoven, Krenek. Palais Pallavicini (Tues).

Orgin Recital by James Welch. Bach, Balbastre, Reger, Ives. Stefansdom (Wed).

Wiener Hofburg Orchestra conducted by Gert Hofbauer. Miscellany of waltzes and operetta. Hofburg (Thur).

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the world will see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strong cast including William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, coo-ducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, Gabriele Schnaut and Elke Wilm Schulte. *Tannhäuser* returns, after a one year break with the oew Venus Ruthild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolfgang Wagner's delightful production.

New York

New York City Opera. A week-long encampment of Romberg's *Desert Song* revives the 1987 hit production. Lincoln Center New York State Theatre (877 4700).

Chicago

Ravinia Festival. Emerson String Quartet. Haydn, Bartok, Beethoven (Thur). Highland Park (728 4642).

Tokyo

Classical Japanese Music: "Jiuta" (shamisen and koto). National Theatre (Tues) (265 7411).

Japan Philharmonic Orchestra, conducted by Tsukasa Oda, with Shin'ichi Fukuda (guitar). Rodrigo, John Williams, Smetana. Suntory Hall (Tues, Wed) (234 5911).

FINANCIAL TIMES

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No man is an island

THE WORLDWIDE refugee problem has clearly reached a level where it deserves to be treated as a crisis in its own right. There are now an estimated 14m international refugees in the world – which means people who have fled across state frontiers – and certainly quite a few million more who have been driven from their homes (usually by warfare) but have taken refuge in another part of their own country. These problems can no longer be viewed merely as one incidental if unfortunate aspect of the various conflicts around the world.

That is not to say that they can be treated in isolation from those conflicts, or that the international community should reconcile itself to the existence of permanent refugee populations. The best solution to almost any refugee problem is for people to be able to go back voluntarily and in safety to their own homes. Enabling them to do that should always be one of the main objects of diplomatic efforts directed at solving political conflicts; and more effort should be devoted, through the United Nations and other channels, to preventing conflicts from getting to the point where large numbers of people are forced to leave their homes in the first place.

Useful lives

Realistically, however, it is unlikely that the overall refugee population will diminish in the next 10 or 20 years and all too likely that it will increase. In the end most refugees will want to live a useful life in new homes – preferably without prejudice to their eventual right of return – rather than bring up their children in camps. It is also in the overall interest of host countries and of the world community that they should do so, where voluntary and safe repatriation is, for whatever reason, not a realistic short-term option. In most cases it is also desirable that they remain near their country of origin, in similar climatic conditions and, if possible, among people whose way of life, religion and language is not too different from their own. Increasingly that means they will stay in Third World countries, themselves often extremely poor. If western countries are unwilling to take more refugees themselves, they must at least be prepared to give generous financial help to those which do undertake the burden.

Not more than 10 per cent of the 14m have so far sought asylum in the West, but that is still enough to make western countries nervous and defensive, even though they successfully absorbed much larger numbers of refugees from eastern Europe after the Second World War. The western attitude is not simply racist, although there is often a deplorable element of that. There is a real and not always unfounded suspicion that refugee status could be claimed spuriously to get round the immigration laws, by people whose real motive for leaving their own country is economic.

Drawing a line

The trouble is that political and economic motives are by no means always clearly differentiated, especially as in many countries economic woes can plausibly be attributed to the incompetence or vindictiveness of governments. Also, where governments have repressive policies, economic migrants can easily provide themselves with a "well-founded fear of persecution" by embracing a political cause (that of Kurdish separatism in Turkey, for instance). Somehow western countries have to draw a line, allowing in those who are really in danger.

As the numbers grow, there is a tendency for each government to draw the line more restrictively, fearing that if it is seen to be less restrictive than others it will be inundated with asylum seekers. In the process elementary humanitarian principles sometimes get forgotten, such as that people are innocent until proved guilty, and should not be made to prove themselves innocent by going home and actually incurring persecution. All governments should respect such principles and when they get together to adopt common frontier procedures (as west European governments are currently trying to do) they should make sure that these procedures do not deprive the genuine refugee of his or her elementary human rights.

A spot market for power

AN expensive first effort to fashion a wholesale market for privatised electricity in the UK has failed the tests of elegance, efficiency and fairness, as it was bound to do.

The scheme was intended to capture the short term efficiency benefits of a spot market while avoiding the normal market risk – that producers may fail to recover their capital costs. Moreover, a spot market served by only two producers, one with more than two thirds of generating capacity, was wide open to abuse. The result was a compromise, based on the power pools of US electric utilities. These are not markets in the usual sense but exclusive clubs for vertically integrated monopolies, intended to minimise costs and enhance security.

The US's private utilities – serving designated areas, but often closely linked to their neighbours – operate quite effectively. But this is very different from the model which the Thatcher government chose to adopt. In the UK, a sharp division was made between producers and distributors. Great stress was laid on the benefits of competition, and on the hope that independent generating companies would enter the wholesale market.

But a market can only work efficiently if it includes buyers and sellers and if most of the trading takes place at the market's clearing price; that is, the price at which sellers are prepared to offer the same quantity that buyers wish to purchase. Both of these conditions were absent from the pooling system devised for the UK. Two pools were proposed, one exclusively for producers, the other for distributors.

Economic signals

The pools were little more than an elaborate way of ensuring that the plant which was most expensive to run would be switched on least often. They failed the test of a good market, that it should transmit efficient economic signals: encouraging consumers to economise when production cost are high and vice versa. For although spot prices were to be used to determine the batting order for power stations, payments between distributors and generators would be based, instead, on a long lists of prices embedded in contracts.

This absurd system is now foundering under the weight of its own complexity and is likely to be replaced by a pool for the whole industry, much closer to the ideal of an efficient spot market. The clearing price will apply to all transactions (as basic economic theory says it should), and trading will be open, with some safeguards, to all players. The problem of how the industry should recover its capital costs will be pushed into a separate market in "capacity" and will not, therefore, distort short term decision-making. By insisting that distributors buy tranches of "capacity" as an entry fee to the power market, the government's regulator can ensure that consumers pay the costs of stand-by generators needed for security.

Fundamental flaw

The big difficulty with these proposals is that a market dominated by two generators could easily be manipulated. This is a fundamental flaw in the Government's plan. The answer must be to regulate the generators strictly, so that their bids into the spot market accurately reflect the costs of each power station, and to prevent cross-subsidisation intended to keep out competitors. Smaller power companies could be exempted from these regulations. Even so, it has to be recognised that the regime will require new entrants to be ingenious and enterprising, because their operating profits will depend partly on spot prices rather than the certainties of a long term contract.

Ministers must accept that its hopes for an independent generation sector were over-optimistic, and anyway a poor substitute for breaking existing industry into smaller pieces. But the broadest lesson for the government should be that privatising this huge industry is complex and difficult. Many of its early ideas proved to be ill-considered and are having to be botched into a different shape. It is time to stop, think carefully and look both ways before proceeding further across the road.

FOREIGN AFFAIRS

Could it happen all over again?

Fifty years after the start of the Second World War, Edward Mortimer asks if the 'German problem' is still a threat

Fifty years ago this coming weekend, Hitler invaded Poland, and Britain and France declared war on Germany. The Second World War had begun, though its first phase – until the entry of Japan and the US – has been more accurately termed "the last European war."

From 1871 onwards Europe's problem had been the "German problem": the problem of accommodating or containing a nation which had emerged, late in tha day, as the continent's leading economic and military power, and which was determined to elbow its way to an appropriate size and status.

In the words of David Calleo (The German Problem Reconsidered, 1978), "the German problem does not somehow emanate from some special German 'character.' Imperial [pre-1918] Germany was not uniquely aggressive, only uniquely inconvenient.

"Whatever faults and ambitions the Germans had were amply shared by tha other major nations of the modern era. But unlike Britain, Russia, or tha United States, the Germans lacked the space to work out their abundant vitality. Moreover, because of geography, Germany's vitality was an immediate threat to the rest of Europe."

For Geoffrey Barraclough (Factors in German History, 1946), the problem was that German aspirations for national unity and self-government had repeatedly been thwarted by outsiders (chiefly France) and had so been forced to express themselves in nationalism. "If Germany is to cease to be a danger-spot in Europe, it can only be through the creation of a united, democratic Germany within its historic boundaries; the forces at play are too deep-rooted and too vital for any other solution to endure."

Both authors considered the horrors of Nazism as essentially a pathological reaction to the denial of aspirations accepted as normal in other peoples.

In 1945, meeting at Potsdam, Germany's conquerors appeared on paper to anticipate Barraclough's advice, except for the bit about the historic frontiers. Attlee and Truman agreed "in principle" to Soviet annexation of northern East Prussia (the area round Königsberg, since renamed Kaliningrad), and reluctantly endorsed the transfer to Polish administration of the rest of tha "former German territories" east of the Oder-Neisse line, pending the "final delimitation" of Poland's western frontier in a future peace settlement. But they and Stalin ostensibly agreed to treat the remainder of Germany as a unit and to reconstruct its political life on a democratic basis.

Yet because Stalin and the western powers attached entirely different meanings to the word "democratisation", by 1949 Europe was left with a disunitad and truncated Germany. Self-government was available to less than 65 per cent of the German population, living on only 60 per cent of their pre-1937 territory. By Barraclough's criteria, therefore, Germany should still be a "danger-spot." But since 1945 it has been so only as a bone of contention and potential flashpoint of conflict between two super powers, neither of them German or even wholly European.

The unassuaged longing of the German people for unity, for world-power status, for territory denied to it in the east, and of a part of it for self-government: these have not been Europe's main problem in the post-war world as they were in the pre-war one. The global cold war has replaced and suppressed the old intra-European struggle for hegemony.

The cold war has not been glamorous or fashionable. Yet it came to have a certain *sotto voce* popularity precisely because it appeared a solution, of a kind, to the "German problem." A Germany divided and occupied by hundreds of thousands of Soviet and US troops might not be a deliriously happy place, but it was not in a position to cause much trouble, and, given the amount of trouble it had caused in the recent past, that was something to be grateful for.

The Soviet Union, after a last offer in 1952 to reunify Germany on what it presumably intended to be favourable terms, was able gradually to abandon even lip-service to the idea of German unity and to get its German allies themselves to follow suit: there is now no more fervent advocate of the permanence of the division than the East German government. The western allies had to continue paying lip-service, because the West German state – responding, unlike its eastern counterpart, to a freely expressed German public opinion – proclaimed unity as its goal and declared itself and its institutions provisional, pending eventual reunification.

Yet West Germany can hardly be considered a "dissatisfied power" in the sense that pre-war Germany was. It enjoys not only self-government but unprecedented and almost unparallelled prosperity. In a sense it has reverted to the policy which Hitler scornfully attributed to pre-1914 Germany – "the peaceful conquest of the world by commercial means." The British empire was no longer there to resist such a policy, nor were naval power and colonies any longer seen, in the new American-led global economy of free and rapidly expanding trade, as necessary ingredients of industrial and commercial success.

The post-war German population has also happily ignored Hitler's warnings both about the degeneracy that would result from artificially restricting the number of births and about the evils caused by "disproportion between the urban and rural portions of the population."

He would no doubt see the Federal Republic – a predominantly urban society with a steeply declining birth rate, relying on exports to finance its prosperity, renouncing war as a means of regaining its lost territory, deliberately limiting its military expenditure and relying ultimately on allies for its defence – as a virtually terminal case of "social disease."

But the fact is that so far these policies have worked. West Germans do worry about the future, but mainly out of fear that it might somehow resemble the past: either that their economic miracle might not prove sustainable in the long term; or that they could be plunged into another war, even more catastrophic and devastating than the last; or that economic growth itself might produce devastation, by destroying the landscape, exhausting the world's non-renewable resources or upsetting the balance of the ecosystem.

They also worry that their past misdeeds may still be held against them, going often to extravagant lengths to reassure the rest of the world of their good intentions. Partly for that reason they have bound themselves into the western alliance and the European Community, even at the price of making German reunification more difficult to imagine.

Though they certainly welcome the reduction of East-West tension and the increased contact between the two Germanys that it makes possible, there is little or no evidence that they are seriously dissatisfied with their present lot or actively seeking to overturn the post-war political order.

Yet that order seems now to be crumbling. The cold war, we are told, is at an end. Soviet power, or will, to impose political solutions on the peoples of east-central Europe is in retreat. The premise for the post-war "solution" of the German problem is thus rendered inoperative, or at least no longer to be taken for granted. Even on the western side, American power and interest in Europe are waning, and the removal of the "Soviet threat" seems likely to deprive the American military presence in Germany of its *raison d'être*.

And once the superpowers are discounted, Germany – even West Germany by itself – quickly emerges as once again the dominant economic power in Europe (and also in non-nuclear terms the leading military power).

Geography and economic dynamism impel it to take up the new trade and investment opportunities that open up as the Soviet system in east-central Europe is dismantled. Might it not soon, in theory at least, feel free to shake off its western bonds, if they appeared the only remaining obstacle to German unity, and especially if German unity seemed realisable on terms which would also bring a net gain rather than a net loss of German internal self-government and external freedom?

Perhaps West Germans would not take the initiative in that process, but who is to say that East Germans would not, if a political process got under way in East Germany comparable to those we are already witnessing in Poland, in Hungary, and in parts of the Soviet Union? Already individual East Germans seem to be taking any and every opportunity that arises to turn themselves into West Germans, by simple migration.

This is creating problems for West Germany, as mass influxes of refugees always do, and Chancellor Helmut Kohl has responded as one would expect, by urging East Germany's leader, Mr Erich Honecker, to do something about the conditions which prompt East Germans to leave.

But is there any real likelihood that the German Democratic Republic could stabilise itself by allowing greater freedom? That may work – we are all hoping so – in Poland and Hungary, where governments can appeal to national unity once they are felt to have some genuine popular backing. But, if an East German Mazowiecki or (perhaps slightly more plausibly) an East German Pozsgay were to appeal to national unity, it would inevitably mean something quite different.

So change in eastern Europe inevitably puts the "German question" back on the agenda of international politics, as Mr Kohl himself said last week. But does that mean that Europe has again to face the "German problem" in any of the senses referred to above? Only if one thinks that a single German state formed from the present two would inevitably embark on an irredentist campaign for the restoration of the territories lost to Poland and the Soviet Union in 1945.

Technically this is possible, since the Federal Republic has carefully maintained that its 1970 treaties with those countries, declaring the present borders inviolable, do not thereby render them legal, since such treaties do not pre-empt an eventual peace treaty to be signed by a united Germany.

Mr Theo Waigel, the present West German Finance Minister, caused a furore last month when he recalled this fact in a speech to a meeting of refugees from Silesia (now part of Poland), thereby showing that it is not a completely dead issue in West German politics. Indeed it has forced President Richard von Weizsäcker to cancel a proposed visit to Poland to commemorate the anniversary this weekend.

Mr Mikhail Gorbachev, the Soviet leader, also seems to be sensitive to it, and has embarked on what one might almost call an appeasement policy, with a tentative offer to turn Königsberg/Kaliningrad into a new Soviet republic for ethnic Germans, combined with a special German-Soviet trade zone. How this proposal has gone down with the present Russian inhabitants of Kaliningrad has yet to be reported. But certainly there is no way that Poland could accept it as a precedent.

All the same it remains very hard to imagine today's Germans, after forty years of peace and prosperity tempered by constant acts of penance for past militarism, turning again to sabre-rattling in quest of lost territory in the east. They appear so hypersensitive to anything that can revive tension and suspicion in Europe, and especially to anything that even hints of the possibility of war.

As long as there was any danger at all of encountering Soviet resistance or triggering a nuclear confrontation (and that must surely be for some time yet) it seems inconceivable that they would embark on any new military adventure in eastern Europe.

Only in the event of a complete collapse of Soviet power, accompanied by a complete breakdown of public order and economic life in one or more east European country, which threatened to swamp West Germany with an unmanageable refugee problem, can one just about imagine the Germans moving in, rather as India moved into East Pakistan in analogous circumstances. It is a fairly far-fetched scenario, and one that it would be even further-fetched to describe as a "German problem."

OBSERVER

Have smokes, will travel

■ However stoutly BAT fends off the octopus embrace of Sir James Goldsmith and friends, it still has the odd problem in presenting its marketing skills to the public.

"Back in the early 1980s," says its latest recorded telephone message to shareholders, "we saw that real growth in the future was going to be in customer-related activities." This stark revelation of the salesman's role might seem a touch obvious. One is reminded that the present chairman, as a young man, held the curious post of BAT's sales manager in Ethiopia, where the company ran a tobacco monopoly.

But that same fact is a reminder of the extraordinarily cosmopolitan nature of BAT. Mr Sheehy belongs to a generation of British managers who may be hard to replace – those who were brought up as children of the foreign or colonial service, and have been on the move ever since. His deputy chairman, Brian Garroway, started with the company as a travelling auditor. By the age of 23 the job had taken him to Switzerland, Vietnam, Hong Kong, Cambodia, the Philippines, Chile, Argentina, South Africa and Rhodesia.

I recall once standing behind a BAT director in the passport queue in Lisbon airport. I was modestly proud of my own passport; at least two of the visa pages had stickers and stamps on them from foreign parts. I forgot all that when he lugged out his own passport. Strapped together by a framework of elastic bands, it was the thickness of a family bible.

For collectors

■ There is much simple pleasure to be had leafing through trade journals: Fish Friere Review, Plastics & Rubber Today, Pig International and so forth. Take, for instance, this stirring tale of citizens' action in New York, culled from the pages of the grocery magazine Super Marketing.

For several years now, New York has made it compulsory to pay a 5 or 10 cent deposit on drink bottles or cans. This was originally meant to stop people dropping litter. It has instead turned out an incentive for other people to pick it up.

In a splendid display of free market initiative, the city's down-and-outs have got into the habit of collecting cans and bottles by the sackful and turning up at supermarkets to cash them in. Some of the big chains have now got fed up with queues of dossers turning up on their doorsteps, and have imposed limits of as little as ten bottles a head per day.

In reply – and this could only happen in America – the dossers are suing the supermarkets. Environmentalists are supporting them, saying the ban is not only illegal, but allows the drinks industry to cream off profits in the form of unclaimed deposits. New York State's Attorney General, who is backing the dossers, puts those profits at $83m a year. As an epic of the underdog against big business, this one could run and run.

Sun and sand

■ The latest bid for recognition by the Palestine Liberation Organisation is impressive in its ingenuity. It wants the state of Palestine to become an associate member of the 106-nation World Tourism Organisation.

Even Arab supporters of the PLO concede that full membership would be tricky, since Palestine has no territory, and is therefore short of tourist attractions such as beaches or hotels. But despite opposition from Israel and the US,

this week's assembly of the Madrid-based body is under pressure from non-aligned countries for token recognition. A suggested solution is "training Palestinians in the tourist sector."

In camera

■ Fresh news from the culture wars. It appears that the French director Elie Chouraqui has been having problems getting work visas to film his latest creation, entitled "Miss Missouri," in Chicago and Kansas City. In a devastating counter-blow last week the mayor of Paris, Jacques Chirac, ordered the suspension of all US filming permits in his city.

At a stroke, this could have killed off a host of cinematic clichés, from barges on the Seine to men in stripey jumpers playing tha accordion. But it also had a more specific aim. That same day, Paul Newman and Joanne Woodward were due to start shooting in Paris for James Ivory's latest film, "Mr and Mrs Bridge."

Mr Chirac may have been bluffing here. Legally, the mayor of Paris can only control filming in a few monuments like the Eiffel Tower or Sacré Coeur. Anyway, it worked. A few phone calls, and the US film unions and immigration officials dropped their barriers to Chouraqui.

The victory is a notable snub for Jack Lang, the flamboyant culture minister, who was the first person Chouraqui turned to. Love him or hate him, Lang is the best the French government can boast in the way of street smarts and youth credibility. But he failed to produce the goods, leaving the chance open to his political enemy Chirac.

Lang's mistake may have been to widen his field of fire too much. The French have always been sensitive about the American invasion of their television and cinema screens. So when Lang summoned Jack Valenti, chairman of the Motion Pictures Association of America, he not only demanded total reciprocity of treatment for French and American producers filming in each other's countries. He also demanded that the number of French films shown in the US should be doubled, and that at least ten French films a year should be dubbed into English.

The snag is that American movie-goers do not like dubbed films. If they like a French movie, instead of dubbing the original, the Americans remake it with their own stars: they did it with "Trois Hommes et un Couffin," and now they are doing it again with "Cousin, Cousine." As another Frenchman found in 1812, it pays not to push too far into hostile territory.

Light relief

■ Obligatory Eastern European joke. What did they have in Romania before they had candles? Answer: electricity.

Tony Jackson

LETTERS

The commerce of self-destruction

From Miss Margaret Anstee.

Sir, In his article "Drugs, Politics and Economics" (August 21), Anthony Harris underlines the enormous proportions which drug abuse, and the illicit trafficking operations which support it, have now reached.

It is helpful for FT readers not already familiar with such statistics to have this reminder that the drugs phenomenon is now on such a scale that, directly or indirectly, we are all being affected.

Perhaps an even more striking illustration is that the estimated value of illicit traffic in drugs has surpassed that of world-wide trade in oil – and is second only to armaments. In other words, the human race is chiefly engaged in the commerce of self-destruction.

The appalling dimensions of this problem have been starkly highlighted by the tragic and deeply disturbing recent events in Colombia. We must hope thet the growing acceptance of this unpalatable truth will stimulate the international *community into further action*, in response.

Mr Harris's remarks abont the economics of drug abuse control (with reference to the US, but it is equally relevant to Europe and many other parts of the world) are also important. Such questions should be aired. But I was disappointed that his article, which contained a number of good questions, offered no real answers.

If we are to accept that "the (drug) problem is largely a dramatic demonstration of market economics," and that it is "simply today's version of prohibition," the inference is that governments (or more broadly, the international community, because the market in question is truly international) should be able to live with it – and manage it better without the controls which exist at present; and indeed that these controls are counter-productive in that they distort prices, bolstering profits and encouraging more suppliers and distributors to enter this (black) market.

So (the argument presumably continues): legalise the drugs and you invalidate the black market, put the traffickers out of business, put distribution in the hands of the authorities who can maintain quality and, by means of taxation, keep some check on (and benefit from) sales.

It is not part of my job, as *co-ordinator of United Nations* Drug Control Related Activities, to argue this either way; thie is up to UN member states. I do not deny the attractions of some of these "economic" arguments; and I believe they should be carefully examined. But we must also look at the possible negative consequences and – associated with this – the practicalities. Some immediate flaws appear.

From the UN'e experience in international drug abuse control, it is clear that governments favour strict controls over most (if not all) narcotic *drugs and psychotropic substances*, with the exception of alcohol.

What – an individual government might ask – would unilateral legalisation of drugs do for our country?

- A flood of foreign drug abusers rushing in to take advantage of drug availability?
- Large numbers of people, especially the young, freed from the deterrence of illegality (perhaps encouraged by its removal) "experimenting" with the drugs newly on offer?
- Not just drunk drivers – who rarely consume alcohol while actually at the wheel – but drugged drivers smoking narcotics as they drive?
- A decrease in the nnmber of murders among illicit drug traffickers – to be more than matched by an increase in indiscriminate and motiveless murders carried out by people drugged and out of control of their behaviour?
- A soaring child abuse/divorce rate, and a breakdown in family life?
- An increase in the already appalling figures for drug dependent new born babies?
- Hugely escalating health care costs?

Furthermore – and especially poignant to those of us who know the area well – how do you present the case for legalisation to the families and colleagues of the thousands of *Colombian* and other nationals from so-called drug prodncer countries who have been killed in the cause of supporting the predominantly developed countries' efforts to control their own drug problems?

No politician is likely to regard a proposal to legalise drugs, carrying with it at least an increased risk of some or all of these negative consequences, as a vote-catcher. (I offer no view on the question of alcohol abuse – except to comment that the much-used comparison between the number of illicit drug-related deaths recorded each year and the mnch larger number of deaths related to alcohol and tobacco would seem logically to argue in favour of a more restrictive approach to alcohol and tobacco, rather than the removal of controls on illicit drugs.)

The UN has been mandated by the international community to address every aspect of international drug abuse control: the control of illicit drug supply; the interdiction of trafficking; reduction of demand, and treatment and rehabilitation. In spite of pitifully limited resources, mnch good work has been done.

In 1987 and 1988 two important UN conferences held in Vienna produced a broad measure of consensus among more than 100 countries about the need for firm action in drug abuse control, inclnding the adoption of a breakthrough convention on the control of illicit trafficking. (No country asked for legalisation of drugs to be put on either agenda.)

What we are now striving to do is put into practice the measures that were agreed at these two conferences. We have a long way to go. We shall require determined snpport, where possible in tangible form, from all governments if we are to achieve our goals.

It is most welcome that the British Government has taken the initiative to organise, in London next year, another international conference. It will concentrate on demand rednction, and a strategy to combat cocaine abuse.

It was endorsed at the recent Paris economic summit. This is the way economic and market arguments should apply: in the recognition that it is useless to try to stem supply if the pull of demand remains unabated or is increasing.

Yet demand reduction is perhaps the hardest of all aspects of the drug problem to get to grips with, because it involves changing people'a patterns of behaviour. But it is an essential element of drug abuse control: without demand the rest of the problem falls away.

We know little about means of changing social behaviour. It certainly requires both short and longer term measures: the treatment of those already abusing or addicted to drugs, and the prevention of the further spread of abuse. Here education is of critical importance. Yet education has been only sporadically included in most anti-narcotics strategies.

The clear consensus of UN member states is that the fight must be waged on all fronts simultaneously. If society's only response to the "drug war" (Mr Harris's words) is to surrender, what is left is not likely to be a society in which many of us will want to live.

Margaret J. Anstee,
United Nations Office at Vienna,
Vienna International Centre,
Austria

A matter for friction

From Mr Roger Ford.

Sir, In your analysis of high speed ground transport (August 22), promoters of magnetic levitation again describe the system as "frictionless" and having "low energy costs."

In a conventional train, friction in the wheel bearings is a minor component of the total resistance to motion. Once a vehicle is travelling faster than 150kph or so, air resistance is the dominant factor and, because it increases with the square of the speed, becomes increasingly so.

This applies whether you are running on wheels at 300 kph or "flying" a maglev vehicle weighing 50 tonnes an inch above a guideway at 500 kph.

Roger Ford,
8 Russellcroft Road,
Welwyn Garden City,
Hertfordshire

Next to cleanliness

From Mr Nicholas Greenwood.

Sir, I have read with interest your recent correspondence on litter control (Letters, August 19, 22). A practical step would be to make all retailers responsible for the tidiness and cleanliness of the immediate vicinity of their trading area.

In the high street (sometimes an apt description) this would mean the pavement and road gutters in front of each shop area. Retailers could be required to collect litter at least once an hour. If this remedy were also attached to their business rate assessment and/or their VAT reclaim, so much the more enforceable.

Nicholas Greenwood,
Pebblecombe,
Oatlands Mere,
Weybridge, Surrey

Time, please

From Lady Elles.

Sir, The second EC banking directive may still be in draft, but it would be misleading to believe that further substantial changes can be made to the text (Letters, August 23).

The directive has been available in draft for many months. Both the City of London and other interested parties throughout the Community have had an open door to officials of the Commission, as well as to the former Commissioner responsible and, now, to Sir Leon Brittan.

While deliberations in the European Parliament'e Legal Affairs Committee were full and comprehansive, once amendments have been voted in plenary session, the Commission has given its views, and the Council has adopted its "common position" – particularly, in this case, by unanimity – there is little room left for further manoeuvre. The co-operation procedure under the Single European Act allows for a second reading, but in accordance with the European Parliament's own rules; only those amendments rejected by the Council may be retabled, and must get an absolute majority of votes (260). Where the common position departs considerably from the Parliament's text it is possible to table compromise amendments, but again must have an absolute majority vote.

One further point. Once the European Parliament has received the common position from the Council, a reply must be given within three months (or in four months by agreement), so the latest date for adoption of the directive should be after the European Parliament's part session in November.

Diana Elles,
3 Gray's Inn Place,
London WC1

'A great deal of screaming for the encores'

From Miss Maria Dickenson.

Sir, Having attended the concert, I found several points in Patrick Harverson's review of Bros at Wembley Stadium (August 21) either incorrect, unfair, or both.

The aong "I want to be famous" is in fact entitled "*When will I be famous?*" "Liar" is not tha new single, hut a track from the last Bros album. Their new single is "Money," about their dislike of materialistic ideas – which leaves me wondering how they can have s "preoccupation with a selfish, immature materialism."

If I remember correctly, "Drop the Boy" was performed no later than halfway through the programme – so why Matt was supposedly trying to whip up a frenzied finale at this point escapes me. Also, from my position in the crowd, I can assure you that there was a great deal of screaming for the encores.

Although Bros's following is predominantly teenage, they do have a wider appeal – their fan clnb inclndes people between the ages of three and 39. They also have many late-teenage male fans, and so their *following*, although perhaps not equally balanced, is not exclusively female.

Bros are talented, and they write good songs. I think yon will find that it will be a long time before they drop through any trap doors.

Maria Dickenson (aged 14),
9 The Serpentine,
Aigburth, Liverpool

From Mr Mik Griggs.

Sir, Delighted as I am to see the FT review of the Bros concert (August 21), I cannot let Patrick Harverson's neo-Freudian attempt at a critique pass.

To suggest that their appeal is "steeped in sibling, not sexual, love," with fans who will desert them as they reach puberty, demonstrates a tenuous grasp of child development and of the appeal of bands like Bros to young audiences. Bros write good music and perform their songs well, as Mr Harver*son grudgingly concedes.*

Few pop bands today could come close to filling Wembley, yet Bros engaged an audience of 60,000. Many older fans were there primarily to see Debbie Gibson – but came away Bros fans. Criticism should be directed at setting up a concert at Wembley, necessitating prices many younger fans could not afford and, with a 10pm finish, limiting the distance from which the same younger fans could reasonably travel.

Mik Griggs,
43 Westcourt Road,
Worthing, West Sussex

Mugger's charter

From Mr L.T. Smith.

Sir, The recommendations of the Monopolies and Mergers Commission on credit cards, reported by David Barchard (August 28), sound very much like a "mugger's charter."

Having enjoyed cashless shopping for years, the public is now being required to go to tbe high street with pockets bulging with cash in order to avoid paying another sales tax to be levied by the retailer.

Many will choose to avoid this by forgoing the purchase altogether. That may well be what the Monopolies Commission is really after . . .

L.T. Smith,
23 Markham House,
Kingswood Drive, SE21

Costa Fortune

From Mr H.R. Johnson.

Sir, Stuart Marshall's report on the Toyota Lexus (August 19) makes fascinating reading. One query arises.

Thie car was recently reviewed in Fortune magazine. The US retail price for the fully loaded model was given as $35,000 (say £22,000) against the BMW/Mercedes-Benz price for the equivalent model of $65,000 (say £41,000). Why then will it retail for £32,000 in the UK, where we earn less and pay higher tax? Is the bench mark high becauss of the inefficiency of UK manufacturing?

H.R. Johnson,
Sarnia, Burtons Lane,
Chalfont St Giles,
Buckinghamshire

Economic migration is different from political asylum-seeking

From Mr John Patten MP.

Sir, In his article on asylum seekers ("The closing door to sanctuary," August 22) Edward Mortimer cites various actions by the United Kingdom Government to support his argument that "the West's humanitarian standards are being eroded."

In almost every regard Mr Mortimer's facts are, alas, wrong. For example:

- The five Tamils were not returned to Sri Lanka "within four days of their arrival." They were returned a year later, after the Government's refusal of their asylum claim had been reviewed by the Divisional Court, the Court of Appeal and the House of Lords;
- No asylum seeker has ever been returned from the UK "pending the outcome of judicial review," es the example above illustrates;
- Tamils are not "systematically refused asylum" in the UK: in the last five years 50 Tamil asylum seekers have been given refugee status; 4,000 others have been allowed to remain and 350 have been refused. I could go on.

Mr Mortimer says, correctly, that the *proportion* of applications granted refugee status is decreasing, but does not mention the figures themselves.

In the early 1970s 20,000 people sought asylum in Europe each year; in 1988 the figure was 250,000. Thronghout Europe the *number* of people granted refugee status has increased substantially since the 1970s, while their proportion of a hugely enlarged total has fallen.

As Mr Mortimer points out, the reasons for this increase are largely economic. But it is a delusion to believe that the problems of unemployment and poverty in the third world can be solved by "economic" migration to the west. Moreover, if people are encouraged to abuse the very careful procedures which are intended for real political refugees, it will weaken the protection given to this vulnerable group.

John Patten,
Home Office,
Queen Anne's Gate,
London SW1

Vanessa Houlder on worsening prospects for smaller UK companies

Small and buffeted

Could big be beautiful, after all? As the summer wears on, there are signs that the UK's small companies may be particularly vulnerable to the worsening economic climate.

If so, this will reverse the trend of the past few years, when the growth of small companies far outstripped their larger counterparts. Between 1983 and 1988, the smallest 10 per cent of companies on the stock market increased their earnings abont 5 per cent faster than the market as a whole, according to research done at the London Business School.

The evidence that things are changing rests on a series of warnings about future profits, cautious statements at shareholder meetings and a sense of unease amongst analysts.

"The September reporting season will, no doubt, bring many downgradings," says Mr Andrew Holland, an analyst at Barclays de Zoete Wedd (BZW), who has throughout the year predicted exceptional difficulties for smaller companies.

Albert E Sharp, the Birmingham stockbroker, has also been cautious. "If you look at very small companies witb quite young management that have not seen a major recession before and which are quite UK-bound, it is not surprising that some of them are suffering and do not know how to handle it," says Mr Mitcbel Teager of Sharp.

Other analysts believe small companies are particularly sensitive to a slowdown since they often have relatively inexperienced management, a narrow spread of activities, a small customer base and no export sales. Many small companies are suffering particularly hard from the rise in interest rates because of their heavy borrowings – frequently taken on to finance acquisitions which have gone sour.

It could be argued that the perception that they are performing badly merely reflects the greater publicity given to their problems. There are, for instance, more small companies reporting over the quiet summer months; large companies are more likely to have December or March year ends. Moreover, small companies have been disproportionately prominent in issuing profit warnings, or interim figures forecasting below target earnings performances. This tends to result in a double dose of publicity for poor results.

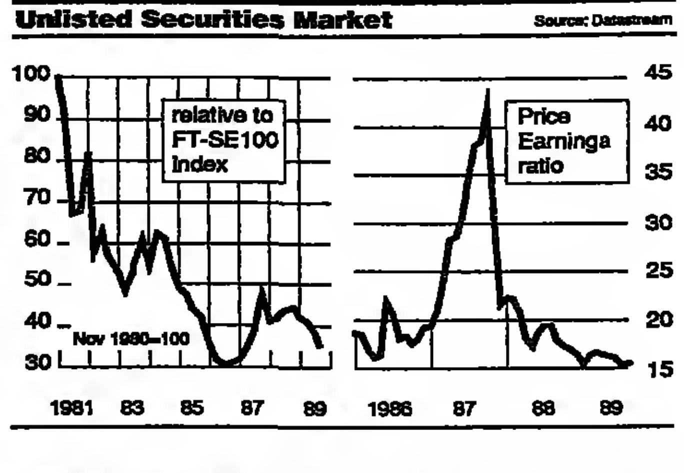
On the Unlisted Securities Market alone – which has just 437 companies – there have been 14 formal profit warnings this year. By contrast, there has been only a relatively modest number of profit warnings from large companies. This is probably because the closer attention the City gives to large companies makes it more likely that analysts will downgrade their estimates if trading conditions look tough, whereas smaller companies have to carry out this task themselves.

None the less, the evidence does suggest thet small companies have taken a particularly heavy pounding. Unsurprisingly, the prominent casualties have been companies involved in consumer goods and housing. Savage Group, the DIY product manufacturer, Ward Holdings, tbe Kent house builder, J D Wood, the estate agent, and, most dramatically, the failed docklands developer Kentish Properties, are all good examples. However, problems have been experienced in almost every industry.

Thesa setbacke cannot entirely be blamed on the economy. Internal problems, particularly stemming from flawed acquisitions, are often tha cause. "When things are going well companies can scrape througb with a prohlematic acquisition. In a testing climate they are more exposed," says Mr Geoff Douglas of Hoare Govett. He reckons about 40 per cent of this year's USM profit warnings are due to expansion setbacks.

Predictably, however, the heavy toll inflicted by high interest rates is at least partly responsible for the flood of bad news from highly geared small companies. These include Sock Shop, the niche retailer; Parkway, the pre-press production services company; and Sharp & Law, the storefitting gronp. Small companies may be particularly affected by higher interest charges because their borrowing costs are usually steeper than those of larger companies. Furthermore, companies on the USM, which are often the most visible and dynamic smaller companies, tend to be more highly geared. In mid-July, the average gearing of USM companies was about 36 per cent. This figure (influenced by the heavy complement of highly geared building companies on the USM) compares with an average of about 23 per cent for main market stocks.

When BZW looked at a sample of USM companies with gearing of greater than 100 per cent, it found that three quarters of their shares had experienced sharp falls within the last year. Furthermore, the Bank of England's latest quarterly review noted that some smaller companies could be suffering from a deterioration in their liquidity, the ratio of their short-term assets to short-term liabilities.



Higher interest rates could also have an indirect impact in cramping the style of companies that are used to making acquisitions. The higher cost of borrowing has compounded the increased costs of acquisitions that are financed by shares, which stems from a generally poor share price performance. (In June, Datastream's index of the ratio of USM share prices to company earnings was at the lowest level since its inception.)

Small companies are also being squeezed by larger competitors. "The high margins enjoyed by many small companies during the last few boom years are no doubt coming under pressure from all sides now," says Mr Andrew Holland of BZW. He points to a threat from rivals trying to secure new business as well as from suppliers and customers who are trying to protect their margins. Coates Brothers, for instance, the inks and resins manufacturer, has suffered from weakening demand and price cuts from its retail sector customers.

This highlights the vulnerahility of small companies dependent on a narrow customer base, like AB Electronic Prodncts, a component maker, Continental Microwave, the communications equipment manufacturer and Creighton Laboratories, maker of beauty products. Each issued a profits warning after an order hiccup from a principal customer. Equally, small companies which are dependent on a few products or services are particularly vulnerable. Kitty Little, for example, issued a warning last Christmas when consumers stopped buying its fragrant sacbets and spice ropes.

Ironically, bowever, diversification is a frequently bazardous strategy for a small company. Porvair, a specialist plastics manufacturer, recruited specialists to expand the applications of its technology. But these increased overheads were not matched hy a rise in sales.

This highlights a more general question about the depth of management in smaller companies. Although a number have highly experienced managements (often resulting from management buyouts), management deficiencies appear at the root of many unhappy stories. For example, Moss Trust, a USM-quoted advertising agency, receotly nnveiled heavy losses after an acquisitions spree tbat floundered through inadequate controls.

More generally, since relatively few managers steered a major business through the last recession, they may be less sensitive to the warning signs of a downturn and slower to cut their costs.

The counter argument is that small companies can be more responsive because senior management is more closely in touch with trading conditions, and can change direction more nimbly than their larger counterparts. That claim will be tested in the coming months.

FINANCIAL TIMES
Tuesday August 29 1989

George Graham in Paris

Shadowy brawl for Victoire

THE FFr24bn ($3.6bn) takeover battle for Compagnie Industrielle, tbe French holding company, and Groupe Victoire, the insurance company it controls, has driven French lawyers, investment bankers and stockbrokers to a frenzied perusal of takeover rules that many of them had not read in years.

Mr Jean-Marc Vernes, chairman of Industrielle and its single largest sharebolder with 25 per cent, has kept his defence tactics under wraps while Suez, which has bid FFr13,000 a share for Industrielle with a follow-up offer of FFr2,000 a share for Victoire in case of success, seeks to restrict his margin for manoeuvre through the law courts.

In a series of often mutually contradictory statements, Mr Vernes has sown douht in the mind of the stock market about the likelihood of success for Suez's bid, the largest ever made in France. Things may become a little clearer in Industrielle's formal defence document, which sbould be published this week.

Meanwhile, massive demand has prevented Industrielle's shares from trading but the indicative price has soared way above Suez's offer. The trading deadlock suits Suez in one way, for it prevents Mr Vernes's allies from picking up more shares in the market. At the same time, however, the confusion adds to the question marks over Suez's success. This is reflected by Victoire's share price, which has plunged well below the offer.

The two sides are thus battling it out in a shadowy brawl on the floor of the stock exchange. But in the silk-lined chambers of Mr Philippe Grandjean, a snowy-haired Indochina veteran who is now president of the Paris commercial court, the debate is more genteel.

Suez has asked Mr Grandjean to sequester 14.9 per cent of Industrielle's capital held by subsidiaries through the form of circular capitalism known in France as *autocontrole* – the shares are already frozen by a temporary injunction – and to eliminate the voting rights attached to these shares for the first shareholders meeting after its bid is over. Underlying tbe demand, bowever, is a broader request for the court to call Mr Vernes to order.

"Mr Vernes's declarations must be pnblicly denied. It is necessary for this to be done solemnly so that Mr Vernes is reminded of his ohligations," declared a Suez lawyer in court on Friday.

Lawyers for Mr Vernes, however, argued that their client had made no move to sell or misuse the *autocontrole* shares. The Commission des Opérations de Bourse (COB), the French stock market regulator, in court on Friday appeared reluctantly to agree.

Adding irony to the case is the fact that a new law on "the transparency of the financial markets," published only four weeks ago, outlaws *autocontrole* entirely – but not until July 1991.

"Not only are we not sure of the rules, we are not sure whether everyone is prepared to abide hy them and we are not sure whether the authorities have the power to enforce them. The only thing we are sure of is that the rules have already been changed, but in a law which has not yet taken full effect," comments one Paris banker.

One thing appears clear: if Mr Vernes wants to riposte directly he must do so by himself making a public offer, by this evening, for a sum at least 5 per cent higher than the FFr15.9bn Suez has put on the table in its bid for Industrielle.

The COB clearly wishes to prevent him from riposting indirectly with a tactic that he has already declared: the mopping up of Industrielle shares in the market by friendly if not formally associated investors.

Once again, the new law on financial markets changes the ground rules by clamping down on concert party action.

If he were to make a successful public bid for Industrielle, it is less certain whether Mr Vernes would have to follow Suez's example by making a complementary offer for Victoire, which could cost him an additional FFr20bn. Mr Vernes claims that he already controls Victoire through Industrielle; even if he were to reinforce his position in the parent company there would be no change of control to oblige him to make the offer under French takeover rules.

Mr Grandjean is due to hand down his judgment tomorrow morning hut whatever the result, bankers, regulators and investors are likely to continue puzzling over the rules of the biggest game in town.

Seoul approves Daewoo shipbuilding rescue plan

By Maggie Ford in Seoul

SOUTH KOREA has approved a rescue plan for the Daewoo Gronp's ailing shipbuilding subsidiary, the country's second largest shipbuilder.

Like all South Korea's shipbuilders, Daewoo Shipbuilding and Heavy Machinery has suffered from the appreciation of tbe currency, tbe slump in export prices of ships, and labour disputes. It made losses of Won213bn ($318m) against sales of Won479bn last year.

Under the plan, announced yesterday by the country's Ministry of Trade and Industry, the company is to receive a cash injection and a government-sponsored rescheduling of part of its $2.9bn debt. In return it will hava to raisa almost half the amount of money needed to save the company through sales of assets by the group's subsidiaries.

The Daewoo group is South Korea's third-largest diversified conglomerate, making goods ranging from cars to compnters and electronics to machine tools, ships and aircraft.

Under the government rescne plan, Daewoo will be required to provide Won400bn in new capital to the shipyard. This will be raised by:

● Selling four snbidiaries, including Korea Steel Chemical and Daewoo Investment and Finance;

● Selling DSHM's headquarters huilding in Seoul;

● Raising Won85bn of funds from the Koraa Stock Exchange througb rights issues by Daewoo subsidiaries;

● Realising Won150bn of personal holdings in Daewoo Securities, Soutb Korea's most prominent stockbroker, owned by the Daewoo Group's chairman, Mr Kim Woo Chong, through the sale to group subsidiaries.

As its part of the rescue, the Government will inject a total of Won150hn from the state-owned Korea Development Bank as a 17-year loan with a seven-year grace period. It will also reschedule Won250bn of debt owed to the KDB by DSHM over 17 years on similar terms.

The Government will also exempt Daewoo from a number of taxes and other regulations to enable the divestments and mergers to proceed.

The Daewoo group is also required to make a serious effort to improve management and labour relations at the shipyard whicb has been plagued by disputes since South Korea started its transition to democracy in 1987.

The Government also announced measures for two other stricken shipyards. The state-owned Korea Shiphuilding & Engineering will he taken over by the Hanjin Group, and the Government will allow Inchon Shipbuilding to raise Won40bn from two affiliates.

Rescue package, Page 3

De Klerk reform plans appear to win favour from Kaunda

By Patti Waldmeir and Nicholas Woodsworth in Livingstona, Zambia

SOUTH AFRICA's acting State President, Mr F W de Klerk, yesterday outlined his vision of reform in South Africa to President Kenneth Kaunda of Zambia, who appears to have given it a favourable reception.

Sources close to the Zambian delegation said Mr Kaunda had been impressed by Mr da Klerk's commitment to a negotiated settlement to South Africa's problems.

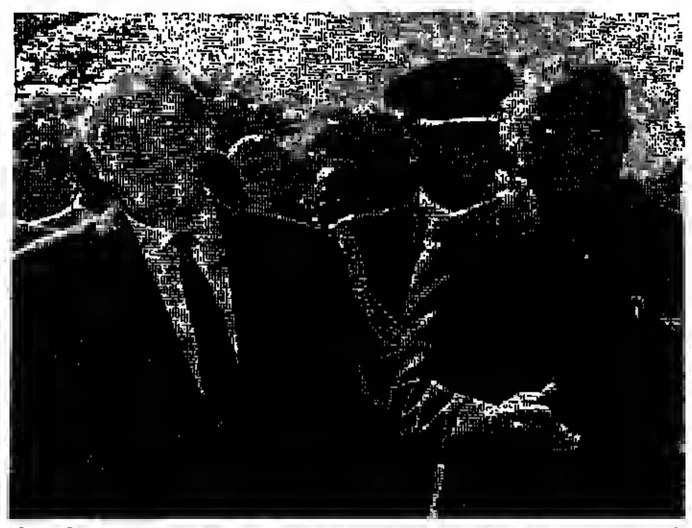
Both sides said that the pair had got on well at the meeting, near the Victoria Falls.

When the meeting was announced it led to the protest resignation of former President P. W. Botha. Mr Botha had said Mr Kaunda would be acting as a representative for the banned Sonth African nationalist organisation, the African National Congress. The ANC, which has a military wing, has its headquarters in Zambia.

But the ANC was not mentioned in the talks. This is expected to boost the electoral chances of the ruling National Party, which is fighting a general election in eight days.

Zambian sources said three-quarters of tbe meeting had been devoted to discussing South Africa. The future role of the ANC would have been implicit in such a discussion, although it was not mentioned hy name.

The remainder of the agenda was devoted to the issue of



South Africa's acting President F W de Klerk with Zambian President Kenneth Kaunda (right) yesterday

efforts to bring peaca to Angola.

Set against growing black protest and unrest in South Africa, it was imperative that Mr de Klerk avoid any suggestion he was negotiating by proxy with the ANC.

However, a successful visit to a neighbouring black country should enhance Mr de Klerk's image as a statesman, and could prove popular with white voters who resent their pariah status in the region.

On Friday Mr de Klerk travelled to Zaire to meet President Mobutu Sese Seko who is the chief mediator between the two protagonists in the Angolan civil war. And on Sunday in Pretoria, he met Mr Jonas Savimbi, leader of the rebel Unita movement in Angola, in an attempt to mediate in the stalled peace process.

After meeting Mr de Klerk, Mr Savimbi announced that he would observe a one-month ceasefire until a conference of his Unita party could be held.

Rescue bid for Cambodian peace talks

Continued from Page 1

● The inclusion of the problem of Vietnamese colonists. The resistance claims that 1m Vietnamese have settled in Cambodia, bnt Mr Hun Sen, who claims only around 80,000 Vietnamese settlers, has proposed that the peace conference chairmen should send an evaluation mission.

● Most difficult of all, the question of reconciling the Cambodian parties and agreeing on a form of power-sharing in the run-up to elections. France has proposed a compromise involving a State Council presided hy Prince Sihanouk and including all four Cambodian factions, with Mr Hun Sen remaining in charge of day-to-day government. The compromise was last week rejected by all four, however, and attempts by South-east Asian nations to draft a more acceptable proposal have not so far been successful.

While 13 Foreign Ministers have decided to attend the closing session of the conference, despite the rapidly dwindling chances of success, the three major powers – China, the Soviet Union and the US – bave sent more junior envoys. The absence of the Chinese and Soviet Foreign Ministers, in particular, has disappointed delegates

Some delegates attribute the lack of progress by the conference to Mr Hun Sen's growing confidence that his Government would be able to survive, politically and militarily, after the withdrawal of Vietnamese troops.

Mr Hun Sen, who has unquestionably gained in stature during the current round of international talks, appears to believe that his Government, currently recognised only by India outside the Vietnamese camp, is on the verge of gaining acceptance and aid from a number of other countries, especially Australia and France, even if the conference fails to agree on a comprehensive Cambodian settlement.

Soviet gas field find may be record

Continued from Page 1

called Shtokmanovskaya.

The Barents Sea discovery is estimated to be between 3 trillion and 4 trillion cnbic metres, or five to six times larger than the whole of Britain's North Sea gas reserves.

The Kara Sea discovery, according to early Soviet estimates, is thought to be larger than the Barents Sea discovery, however.

Appraisal work is still under way on the Kara Sea find. One well has been completed and another was recently started.

Mr Egil Bergsager, senior vice president, Geco (Geophysical company of Norway), said the Kara Sea always had great potential but he found the Barents Sea discovery more interesting.

"The source rock of their Barents Sea discovery is oil-rich which supports our view that there may be oil provinces in the Barents Sea," he said.

Both Norway and the Soviet Union have been drilling for oil in the Barents Sea, although only gas has been found and small traces of oil.

Mr Vladimir Kalinnikov, president of the Soviet Academy of Science's Kola Scientific Centre, said he had earlier been given a mandate to assess demand for gas in the Murmansk area.

Like Norway, the Soviet Union has more gas than markets in which to sell it and to both oil is a more important resource.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	25	77	Dubrovnik	C	25	77	Malta	S	30	86	Rhodes	S	29	84
Algiers	F	32	90	Edinburgh	F	15	59	Manchester	S	16	61	Rio de J'o	R	33	92
Amsterdam	F	16	61	Faro	S	25	77	Manila	F	33	91	Rome	F	27	81
Athens	S	30	86	Florence	?	19	66	Melbourne	F	12	54	Salzburg		–	–
Bahrain	S	37	99	Frankfurt	C	16	61	Mexico City	C	24	75	San Francisco	C	13	55
Bangkok	F	33	91	Funchal	F	25	77	Miami	S	28	82	Seoul	C	29	84
Barcelona	F	26	79	Geneva	F	15	59	Milan	F	23	73	Singapore	R	25	77
Beirut		–	–	Gibraltar	F	29	84	Montreal	F	17	63	Stockholm	F	15	59
Belfast	S	14	57	Glasgow	F	15	59	Moscow	C	14	57	Strasbourg	C	16	61
Belgrade	F	29	84	Guernsey	S	17	63	Munich	C	14	57	Sydney	S	15	59
Berlin	R	11	52	Helsinki	C	14	57	Nairobi		–	–	Taipei	R	34	93
Biarritz	F	21	70	H. Kong	R	27	81	Naples	C	30	86	Tangier	F	26	79
Bombay	C	26	79	Innsbruck	C	16	61	Nassau		–	–	Tel Aviv	S	31	88
Bordeaux	S	21	70	Inverness	F	13	55	New Delhi		–	–	Tenerife	S	28	82
Brussels	C	15	59	Islamabad	F	31	88	New York	F	22	72	Tokyo	T	28	82
Budapest	R	14	57	Istanbul	F	27	81	Nice	F	25	77	Toronto	F	16	61
B. Aires	F	14	57	Jakarta	R	33	91	Nicosia	S	30	86	Tunis	F	31	88
Cairo	S	32	90	Jersey	S	19	66	Oporto	F	23	73	Valencia	S	30	86
Cape Town	C	16	61	Jo'burg	S	24	75	Oslo	F	16	61	Venice	C	21	70
Caracas	C	27	81	Lima	C	19	66	Paris	F	20	68	Vienna	C	15	59
Casablanca	S	25	77	Lisbon	S	24	75	Peking	F	31	88	Warsaw	R	17	63
Chicago	T	22	72	London	F	17	63	Prague	C	13	55	Washington	S	23	73
Cologne	C	17	63	Los Angeles	C	16	61	Reykjavik	C	12	54	Zurich	C	15	59
Copenhagen	R	12	54	Luxembourg	F	15	59								
Corfu	S	29	84	Madrid	F	29	84								
Dallas		–	–	Majorca	F	27	81								
Dublin	S	17	63	Malaga	F	34	93								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Citicorp loans

Continued from Page 1

place, was preferable, and could be a model for others.

● Described four debtor countries as having their debt problems snbstantially behind them, which would allow them a very gradual return to more usual financing methods: Mexico, the Philippines, Chile, and Uruguay.

● Said the British banks' decision this month to raise loan loss reserves "was responding appropriately to the market place," in that the banks' share prices rose to compensate more than fully for the provisions made.

Inflation battle 'hits UK output, investment, spending'

By Ralph Atkins in London

FURTHER signs that the UK Government's battle against inflation has opened a chapter of slow investment growth, modest increases in manufacturing output and subdued consumer spending come from two sources today.

The Confederation of British Industry's August industrial trends survey shows mannfacturers' order books are below normal for the fourth consecutive month while ontput growth continues at rates much lower than a year ago.

A Financial Times survey of 22 independent forecasting groups points to a marked downturn in investment growth next year.

Economic activity is expected to slow, interest rates to remain high and inflation to improve only gradually.

Both surveys support Treasury arguments that its high interest policy is successfully slowing the economy.

But they also highlight possible painful side-effects which could last for some time.

Mr David Wigglesworth, CBI committee chairman, said companies were preparing plans for 1990 against a background of subdued demand and prospect of much slower growth.

Their spending would be trimmed wherever possible to protect profit margins.

"There is clearly a danger that in this process, investment will be cut back, with a damaging effect on the nation's ability to compete in international markets," he said.

The opposition Labour Party at the weekend seized on forecasts from the City of London and academic groups which predicted a fall in investment next year.

The FT survey includes five forecasting organisations which are predicting a drop, although the average forecast is for a small rise.

On interest rates, most forecasting groups covered in the FT survey expect three-month interbank rates – a close approximation to base rates – to remain at about 14 per cent in the last three months.

That will increase upward pressure on mortgage rates. Even in the last three months of 1990, interest rates of about 12 per cent are expected.

Consumer spending is also expected to slow dramatically, increasing pressure on the already hard-pressed retailing sector.

After growing by about 3 per cent this year, the survey points to growth of only 1.7 per cent in 1990: the lowest annual growth rate since 1982.

Inflation is expected to fall from a little below 7 per cent in the last three months of 1989 to just above 5 per cent a year later.

There will also be a marked improvement in export growth, reflecting expectations of stronger economic growth in other countries.

The current account deficit is expected to worsen this year but improve gradually in 1990.

Included in the FT survey is the CBI's August forecast which also points to a marked slowdown in fixed investment next year.

A rise of just 1.2 per cent is expected after almost 6 per cent this year and more than 12 per cent in 1988.

Mr Andrew Sentance, the CBI's director of economic affairs, said the outlook was for a "softish landing."

Inflation could be controlled without bringing the economy to a standstill, he said.

The forecast assumes no cut in the standard rate of income tax in next year's budget but is optimistic that mortgage rates will not have to rise further. Stocks are expected to build up this year but fall in 1990.

The industrial trends survey shows 29 per cent of mannfacturers reporting below normal order books in August. Just 25 per cent said they were higher than usual.

When asked about manufacturing output in the next four months, 30 per cent of mannfacturers expected increases and 17 per cent forecast a fall.

Export demand was also modest but had improved compared with earlier this year.

Stocks of finished goods remained more than adequate to meet demand while prices increases were expected to continue at a similar pace to the last few months.

Commenting on its forecast, the CBI said the biggest risks were that world trade would not be as bnoyant as it has been assumed and that base rates would rise further this year and remain high for longer than it envisaged in 1990.

That would increase the risk of a much faster slowdown in economic activity.

THE LEX COLUMN

The tricky task of selling water

Tha political battle over the privatisation of the UK water industry is now a thing of the past, but the technical problems of shepherding the water authorities into the private sector could still cause the Government some embarrassment. Barring another global stock market disaster, like October 1987, impact day is now less than three months away. The combination of the speed with which this latest privatisation is being undertaken, the inexperience of tha sponsoring Department of the Environment, and the fact that not just one, hut 10 businesses – all with their own advisers – are being sold at the same time, is a potentially volatile mixture.

So far, everything has been going surprisingly smoothly. The new tariff and capital structures were completed four weeks ago. On Friday – vesting day – the anthorities become plcs and the industry's two new regulatory watchdogs open for business. However, the main stock market interest will be in the fine print of the instruments of appointment which will have to be issued to each company.

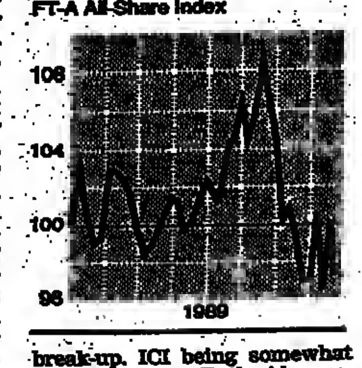
These are important because successful investment in the water industry will depend as much on an understanding of the new regulatory regime as on any assessment of the growth prospects of the individual companies involved. The substantial underperformance of British Gas and British Telecom shares over the past year, for example, has had far more to do with regulatory uncertainties than any concern about their underlying business. In the case of the water companies, their new regulatory system is far more of a hybrid and could contain even more nasty surprises for the unwary investor.

The other potential problem lies in the marketing of the issue. The speed with which it is being pushed through means that it is most unlikely that a public offering will be made in the US – the one market which understands utility shares – and individual water authorities are being actively discouraged from aggressively marketing themselves directly to the institutions. This suggests a remarkable lack of faith in the prodnct which could yet backfire on the vendor.

ICI

From time to time over the last conple of weeks, ICI's share price has twitched spasmodically on rumours of a

ICI
Share price relative to the FT-A All-Share index



break-up. ICI being somewhat smaller than BAT, the idea can no longer be wholly dismissed. But leaving aside the question of whether it would be desirable, it is worth pondering its feasibility as a piece of financial engineering.

The first point is that unlike RJR Nabisco or BAT, ICI does not have a stable cash generator which could be relied on to fund the exercise. Until very recently the commodity chemical business – the so-called C&P division – would have done nicely. But the cycle has turned; and though C&P is still highly cash-positive, in a really serious downturn that could change overnight.

So the chances are that everything would have to go. Some bits are easy: the 25 per cent stake in Enterprise Oil, worth £700m, and the half share of Tioxide, worth maybe £500m. Thereafter, a great deal depends on what the pharmaceuticals business would fetch. A mere 20 times earnings – based on the well-publicised problems in the development pipeline – would mean £4.7bn. A more generous 25 times, based on the fashion for industry consolidation, would mean nearer £6bn.

The bulk business, at its cyclical peak, might fetch as little as six or seven times earnings – say £3.2bn. The rest – the world's biggest paints business, one of the world's top three agrochemicals businesses and a range of speciality chemicals from colours through to advanced materials – might fetch the same again. Add odds and ends like associates and knock off debt, and a worst-case total could be as low as £11.2bn. Since the present market value is £9bn – and a bidder might have to pay half as much again – this is clearly not a simple case on the BAT model.

But it is the political rather than financial differences which are crucial. BAT is a largely offshore purveyor of a harmful and addictive drug. ICI is the chief repository of Britain's skills in industrial chemistry, a field in which the country not only holds its own worldwide hut generates a large trade surplus. If the Government could play the national interest card for BP, it could certainly do the same for ICI.

The final difference rests with the shareholders. BAT's prohlem is that the gap between its market price and realisable value seems bridgeable only by direct action. By contrast, though ICI may be undervalued at present, that will correct itself as the market gets a clearer view of the next stage of the chemicals cycle. The only worry about the recent price movement is that while it has been in the right direction, it has been for the wrong reason.

Sector Futures

If a recent survey is right and only 60 City investment institutions nse derivative instruments, Citicorp Scrimgeour Vickers will not be swamped at once with demand for its new futures contract based on individual sectors within the FT-SE 100. Some of its major competitors appeared far from perturbed last week hy the product's imminent appearance on the scene.

That said, CSV's notion seems welcome: in principle as a stockbroker trying to add value to its services, and in practice as a widening of the range of hedging mechanisms. Though CSV has been working on the idea since the spring, not least because of the computer software it requires to update its sector indices in real time, there is nothing especially esoteric about the idea.

A fund may have to keep, say, its weighting in oil and gas shares close to the sector's weighting in the market generally. At the same time, the fund manager may actually be bullish on Ultramar, but bearish on the sector as a whole: the answer may be to buy Ultramar, and simultaneously short CSV's futures contract on the oil and gas sector index. For CSV, a by-product of this is advance intelligence about investor sentiment.

One snag is obvious, but not insoluble. The contracts are over-the-counter products, unquoted on an exchange; for pension funds, the drawback is that they may be exposed to an unwonted capital gains tax charge, at least until the Inland Revenne says differently.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 29 1989

INSIDE

Water companies to turn on the bond tap

Next year Britain's privatised water companies are likely to dominate bond issuance on the domestic and international sterling markets, offsetting the Government's gilts buy-in programme. This week the companies will give details of revolving credits — worth over £7bn — which will demonstrate their creditworthiness. In the private sector the companies, will want to replace these credits with bonds at the longer end of the maturity range. And, reports Andrew Freeman, the UK banks are overjoyed at the prospect of lead managing the deals. **Page 20**

Rollercoaster Fobel on the up

Shareholders of Fobel International, the UK electroolcs products group, have endured a rollercoaster ride since it went public in 1986. They got a queasy feeling this summer when the crisia in Peking cast a cloud over Fobel's 51 per cent owned Hong Kong arm Radofin, just as the group was announcing a loss for 1988. But chairman Alan Leboff says Radofin was not hit by the crisis and a signficant contribution is expected from the recently *announced merger of 22 per cent of Premdor* of Canada, reports Andrew Hill. **Page 25**

UK gilts down in the mouth

Last week's diemal UK trade figures coupled with placid eummer trading activity in the markets left the UK gilt market down a point last week. With little economic news to be reported in the next two weeks the market is likely to be heavily influenced by the performance of sterling on the foreign exchanges, reports Simon Holberston. **Page 21**

Market Statistics

Companies in this section

Takeover Panel orders Plessey to qualify claim

By David Thomas in London

THE TAKEOVER Panel, the City of London's bids watchdog, has required Plessey to issue a shareholder circular qualifying its claim that the General Electric Company (GEC) and Siemens of West Germany are seeking to buy Plessey businesses at less than their market value.

The claim was a central part of the defence document issued by Plessey last week against the hostile £2bn ($1.27bn) bid by GEC-Siemens.

Plessey issued its circular on Saturday. On the same day, Plessey issued another circular, widely reported over the weekend, on its future strategy should it survive the bid.

GEC-Siemens yesterday attacked the strategy circular: "It was clearly put together at great haste as a smokescreen for the one they were obliged to issue about [the] valuation," a GEC-Siemens adviser said.

Plessey vigorously denied this, stressing that it had not retracted the valuations in its defence document.

Mr Philip Parker, Plessey's corporate development director, said the strategy circular "is all very real and can be progressed as soon as the bid is rejected."

Mr Parker added that Plessey had not yet decided whether to issue a profits forecast before September 7, the offer's first closing date.

GEC-Siemens had objected to the Takeover Panel that Plessey had estimated £825m as the value of its stake in the GPT telecommunciations joint venture and £200m for its stake in the Hoskyns's computer company.

Plessey used these figures to calculate that GEC-Siemens was offering a "substantial bid discount" for the rest of its businesses.

Plessey's circular on Saturday stated: "these valuations of our shareholdings were not supported by independent valuations as required by the City Code on Takeovers and Mergers."

It told Plessey shareholders not to "place undue reliance on the figures given. . . and the conclusion that there is a bid discount."

The strategy circular elaborated on Plessey's plans should it escape the bid including:

- **Semiconductors.** Plessey is seeking a minority Japanese partner for its semiconductor business and claimed yesterday that its negotiations were near completion. Plessey is understood to have had talks with Sony, Toshiba and Matsushita.

- **GPT.** Plessey will sell its stake. GEC and Siemens will be able to bid either separately or together.

- **Defence and aerospace.** Plessey intends to extend its radar and naval systems interests in Europe and its aerospace business in North America, but does not plan to bid for Ferranti, in which it bought a 2 per cent *stake this month.*

- **Traffic management and computer services.** Plessey will seek further European acquisitions in both businesses.

Plessey confirmed that Sir John Clark, chairman and chief executive, will become non-executive chairman from next March. It had already announced that Mr Stephen Walls, managing director, would become chief executive from that date.

Muppets join the fantasy world of Walt Disney

By James Buchan In New York

WALT DISNEY, the company which for 70 years has moulded the imagination of American children for business purposes, said yesterday that it had bought rights to the Muppets, a set of fantasy puppets that were a wild success on television and in stores in the mid-1970s.

The deal, which was rumoured on Wall Street yesterday to be worth $100m or more, gives the venerable entertainment company a new generation of make-believe charactera to stiffen the toiling ranks of Mickey Mouse and his associates.

Industry people and stock analysts believe that the Muppets, which have faded somewhat in popularity from their peak over 10 years ago, will receive intense but careful exploitation in Disney theme parks, films and consumer products.

"Nobody is as good at exploiting character as Disney," said Ms Liz Buyer, an analyst at Prudential-Bache in New York.

Mr Michael Eisner, the Disney chairman who has presided over *a great revival in the company's* fortunes in the past five years, yesterday signed an agreement with Mr Jim Henson, the creator of the Muppets, to buy his business.

Mr Henson and his company, Henson Associates, will produce films, television shows and videos involving the Muppets and stage special attractions with them at the Disney theme parks.

In addition, Disney will acquire Mr Henson's film library, including the old programmes of the highly successful TV Muppet Show, and the merchandising rights to Kermit The Frog, Miss Piggy, Animal, Fozzie and Gonzo.

The deal, said Mr Eisner yesterday, is "a business association made in family entertainment heaven." Financial terms were not revealed.

Mr Henson brought Kermit and the Muppets to television in the 1950s but they did not truly catch on until 1976, when the Muppet Show was launched.

The show quickly became the world's most popular television programme with a 235m viewers around the world, according to Disney.

The deal is the latest in a string of moves by Disney to broaden its base of fantasy characters.

The company, which is generating prodigious profits and is one of Wall Street's glamour stocks, recently opened a new theme park in Florida designed not round Disney characters but classic Hollywood films, such as The Wizard of Oz, bought in a rights deal from MGM.

The Muppets' first big job for Disney will be as part of a 3-D display which is planned to open next May at the Disney-MGM Studios theme park.

Said Ms Buyer of Prudential-Bache: "It's not that the Mickey characters are beginning to age.

"In fact, there's something of a Mickey mania on. It's just that this deal gives extra characters to the stable."

In the nine months to the end of June, Walt Disney reported earnings of $490.6m or revenues of $3.25bn, up nearly a third from the same nine months of the year before.

Wall Street's hollow triumph

By Anthony Harris in Washington

Wall Street managed quite a graceful shrug, if you can imagine such a thing, to mark its new record last week. "It was just another trading day," said one broker, flattening an over-excited television interviewer. Was this false modesty, or realism?

If you believe that money drives markets, it was neither; for the astonishing thing about the peak is that it has taken so long to climb. Profits have been rising steeply in the last two years, and price-earnings ratios are now distictly undemanding by the standards of the 1980s.

The market multiple is down to 12¼ from 22¼ at the previous high in August 1987, when the market was riding for a crash.

In the end, it has taken renewed excitement about bids and buy-outs to drive the market past its 1987 level; and that is the clearest sign that the rise has not yet been overdone. When sober bidders — and even brewers are surely sober when they bid — can offer shareholders large profits through cash bids, there is still plenty of headroom.

But the bids of the 1980s carry another message. An equity market is supposed to be a place where industry raises capital, but Wall Street has become a market where industry gives capital back, and on a huge scale. Since the buy-ins began investors have received some $500bn.

Pause for a moment to consider that figure, if you suffer the normal human blindness to astronomical magnitudes. It is about 10 per cent of US GNP, or two years' worth of personal savings at their newly recovered rate.

It is also about the same as the supposed build-up of US external debt, which causes so much apoplexy on American editorial pages.

Given this massive transfusion of cash, a stock market which under-performs the rest of the world (or most of it), and which depends on bidders to prevent real assets being offered at enormous discounts, is hardly showing confidence in the corporate economy. Many of the bidders, of course, were returning the insult: they were borrowing to go private, because they regarded the market as a jungle.

In global terms, though, this process supplied more cash to support fewer equities. The sluggish perfomance of the whole market, while it has kept prices low enough to attract predators, still needs explaining.

The shock of the crash two years ago has been worked to death as an excuse. That did scare a lot of small investors out of the market for a long time; but institutions all over the world are very liquid, and could easily have made good the shortage had they been convinced that US assets were cheap. In spite of an impressive performance by the real economy, they were slow to be convinced. Some of the reasons were sounder than others.

- **The fear of Reaganomics.**

Misguided pundits made the so-called twin deficits into a question of national honour; in fact the fiscal deficit is now quite modest, and falling.

The US trade deficit, like that of the UK, reflects causes which have little to do with the Budget: a period of gross over-valuation of the currency; financial deregulation which helped consumers to borrow; a real estate boom which encouraged them to do so; and inward investment by foreign companies who brought much capital equipment with them.

- **The fear of a recession.**

Markets believe in periodic cycles, because this saves them having to think about what is really happening. Recessions are caused by mistakes in monetary and business management, not by the passage of time.

We have already paid for two of the biggest mistakes of the 1980s — the Volcker monetary overkill, and the assumption that the oil price would go to $50. Overkill caused the 1981 slump, and oil folly a regional recession in the oil states which is still with us.

- **Fear of commercial debt.**

This is nearer the mark. Banks and LBOs are vulnerable to a recession, as excessive lenders and borrowers respectively; but this is why the Fed will not allow a real recession to happen, except by accident.

Faced with possible financial disaster, it sees stagflation (passed off as a "soft landing") as the lesser evil. The thrift liquidation will be a drag on real estate credit for years to come; not altogether a bad thing.

- **Fear about US competitiveness.**

All the fears we have listed so far are fear of the known, much analysed and readily discounted; but doubt about US commercial virility is emotional, and so it is much more debilitating. Americans no longer see Reds under the bed, but Japanese.

This fear is exaggerated, of course. As is well known, the British far out-invest the Japanese, but nobody is afraid of us. They are still far behind the US in fundamental research and invention — Voyager, for a current example; but they out excel anyone in making things reliable (VCRs), user-friendly (cameras, lap-tops), and in constant, detailed improvement.

Meanwhile, the Japanese are operating in the US in force, often in association with American companies; this experience is showing that the real Japanese secret is not so much in techology or design (both excellent, but so is the best in the US) as in managment objectives and labour relations — two aspects of the celebrated Japanese long view.

- **The fear of Wall Street itself.**

Can American companies emulate this long-term planning? An increasing number believe that they cannot, as long as they are exposed to the pressures and raids of the stock market — many British companies have been saying the same for a long time past. In the US, ill-feeling and suspicion has been rising fast on both sides.

Companies vote with their feet by going private: they would rather be saddled with potentially ruinous debt than with traded equity. (This is a trend which is barely visible anywhere else.)

Meanwhile spokemen for shareholders, such as Mr T. Boone Pickens, who runs the United Shareholders' Association (USA, you will note) denounces managers as the enemies of shareholders.

Of course, this tension drives prices up, not down; but since it is leading to a hollowing-out of the equity market, as companies withdraw, or sell their best assets to British brewers and others before the asset-strippers can do it, you may think this a hollow triumph.

Consider this, though. If you compare the economic high-fliers with the English-speaking laggards, you will find it has very little do do with ideology, (socialist Sweden) or low taxes (Germany and Japan), or even with stable money.

The winners are marked by three features: first-class education, a small defence burden and a narrow (or rigged) stock market. The US education system will take a long time to fix, but Mr Gorbachev is addressing the second problem, and the bidders the third. Perhaps there was something to celebrate last week, after all.

Economics Notebook

French unions take lid off pay

French trade unions are promising the Government a "warm" welcome back from the long summer holidays. But will their demands this time take the lid off wages, so tightly contained in France for the last five years?

Discontent is strongest in the public sector. There is unrest in areas like the railways, while tax collectors, government aircraft maintenance workers and nurses are in open dispute; even the gendarmes, who are forbidden to strike because of their military status, have been making the defence minister's life miserable with a campaign of anonymous letters.

The Government had already agreed to give the civil service an across-the-board rise of 1.2 per cent from September 1. When the rise was agreed, however, inflation for 1989 was still officially forecast at 2.2 per cent. Already, in the first seven months of the year, prices have risen 2.4 per cent, with inflation running at an annual rate of 3.5 per cent.

At the beginning of July, too, the Government authorised a 1.9 per cent increase in the Smic, France's minimum wage, taking it to FFr29.91 (£2.88) an hour, or FFr5,054.79 a month.

Fears of a dangerous surge in wages may prove to be excessive, however. The Smic no longer appears to be a big factor in wage rises, and though wage pressure is building up in the private sector, productivity gains are continuing to absorb much of tha steam. Under 10 per cent of French employees are in fact concerned by the Smic, which was viewed for years as one of the forces leading to implicit wage indexation in France. Recent studies show that there has been little effect of contagion from the Smic to other low wages. Net wages of the lowest paid 10 per cent have been rising by only 2.9 per cent a year, while the highest paid 10 per cent have been rising by 4.2 per cent a year.

This has been amply offset by productivity gains, which Insee, the state statistical institute, forecasts this year at 4.5 per cent for manufacturing industry. Last year's productivity gain was 6.8 per cent, but that was whan employment was slow to catch up with the pick-up in output.

However, the biggest handicap that French industry seems to be facing at the moment is not wage costs but capacity constraints.

Fixed investment, the main motor of growth in 1988, remains strong this year, and the tendency to invest in increased capacity is the highest this decade, according to surveys of business opinion.

Yet Insee's enquiries show that the strains on France's productive capacity are already higher than in 1979-80, the last time capacity constraints surfaced, and probably as high as during the boom of late 1973 and early 1974.

"The strains affect especially the car industry, and then the intermediate goods sector; capital and consumer goods are much less affected. Moreover, these strains concern particularly the major corporations," Insee notes in its latest economic outlook. Manufacturing industry as a whole estimates capacity utilisation at 87 per cent — and over 90 per cent for the automobile industry and for intermediate producers.

This statistic gives a quantitative measure, but its accuracy, based on responses to survey questions, is open to doubt. More qualitative, and in this context more telling, is the question put to industrialists on whether they are experiencing production bottlenecks.

"It is possible that for a company manager the concept of "bottleneck" within a complex production process may be easier to gauge than that of "capacity utilisation." The question thus gives directly the number of managers who believe that they could not increase output with their current means of production if they received more orders."

Clear trend

Responses to the "bottleneck" question veer widely from quarter to quarter, but the trend over the last 18 months is clear. By the last survey in June, four motor industry companies out of five *faced bottlenecks due to the* shortage of equipment, while 30 per cent of companies in the intermediate goods sector made the same complaint.

Even in the consumer and capital goods sectors, however, the number of managers reckoning that they have excess manufacturing capacity is at its lowest level this decade.

Does this mean that the French economy is in danger of overheating? Similar series for other countries, though not strictly comparable, show that France does not appear to be out of step with West Germany and Italy. This should mean that the danger of an avalanche of consumer goods imports can be avoided.

On the capital goods front, the mounting strains on capacity seem likely to sustain the pattern of heavy capital investment as French industry re-equips. This means the inability of French industrial machinery makers to meet home demand — evident over the last 18 months in the pattern of Franco-German trade — is likely to persist, contributing to the continued weakness of France's trade balance.

George Graham

THIS WEEK

TAKING CENTRE stage this week in financial markets is Friday's US labour market report for August.

The unemployment and employment figures will give the first pointers to the strength of economic activity this month and are likely to be a big influence on the direction of trading. Past months' figures have led to speculation about the now widely-noted slowdown which in turn has encouraged expectations of lower interest rates.

The consensus of analysts' forecast, compiled by MMS International, the financial research company, is for a rise of 68,000 in non-farm payrolls, compared with 170,000 in July. The unemployment rate is expected to rise to 5.3 per cent from 5.2 per cent in July.

Other US indicators include statistics on personal incomes and consumption in July, released tomorrow, which will give clues about consumers' behaviour. The consensus is for a rise of 0.7 per cent in both incomes and consumption.

The US index of leading indicators for July is released on Friday. This includes measures of factory output, money supply consumer credit and prices and is regarded as a good indicator of short term economic prospects.

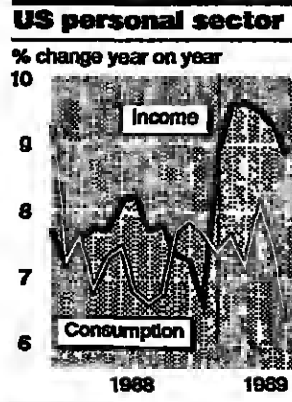
In recent months' the index has given strong evidence of a marked slowdown in economic activity. A rise of 0.3 per cent is expected in July, after virtually no change in June.

French trade figures for July, expected today, are expected to show a deterioration in the trade gap after June's FFr2.8bn (£269.8m) deficit. Although exceptional factors are likely to be blamed, it could trigger fears of a long-term weakening in the country's trade position.

Figures for French gross national product in the second quarter are expected tomorrow and could show weaker growth in economic activity.

In West Germany, current account figures for July are expected sometime this week and are likely to show another substantial surplus. Also due are industrial production figures for July, which will show the strength of economic activity.

US personal sector



Japan also sees trade figures this week, probably Friday. Again a large current account surplus is likely, highlighting the scale of world trade imbalances.

Other events and statistics (with MMS International consensus of forecasts in brackets) include:

Today: US, revised gross national product for second quarter (up 2.4 per cent). New house sales (up 0.7 per cent) Corporate profits in second quarter. Japan, unemployment rate in July. UK, new vehicle registrations in July. Overseas travel and tourism in June.

Tomorrow: Japan, industrial production and housing starts in July. UK, Bank of England publishes final money supply numbers for July. French, final consumer prices index for July.

Thursday: US, Factory orders (fall of 0.7 per cent) Two-year Treasury note settlement. UK, Bank of England figures including bill turnover statistics and bank and building society balance sheets.

Friday: UK, company liquidity in first quarter. US, construction expenditures in July.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Cilva borrowings surprise bankers

WITH sterling interbank rates at close to 14 per cent, there is little reason for any non-UK borrower to tap the markets in thet currency. Thus, consider the case of Cilva Holdings, an international company set up to bid for the publicly held shares of Avis Europe in a deal valued at £896m.

Cilva is a holding company to be controlled by Belgium-based Lease Holdings, General Motors Overseas Corporation, and Avis of the US, which was once Avis Europe's parent company.

The holding company will buy the shares of Avis Europe, which were floated on the London Stock Exchange in 1986. While the shares must be paid for in sterling, the reconstituted company will have receivables denominated in D-Marks, pesetas, lire and Belgian and French francs in addition to sterling. Why then, reasoned the bidder's bankers, should the borrowings be in sterling?

The borrowing consists of a £625m equivalent one-year bridge facility intended to pay the costs of acquiring shares. It is secured by the shares themselves and their dividend payments made in sterling.

Of this facility, 30 per cent is denominated in sterling with the remainder in Ecu. After the share purchase is completed, the financing shifts into a two-part loan which includes £425m equivalent seven-year term loan in which drawings are made by various Avis Europe subsidiaries in the currencies of their respective countries.

Proceeds will be used to pay down the bridge facility.

There will also be a £1.1bn equivalent two-year revolving credit facility of which a portion will be used to pay the bridge financing and the remainder will provide financing for new car fleets and general working capital. Citicorp, co-arranger for the financing along with Société Générale, said that banks in the syndicate would mostly be those that could effectively provide domestic lending operations in each subsidiary'e country.

Borrowings are in effect to each subsidiary with the subsidiaries providing cross-guarantees for each others' debts. Thus, lenders are not forced to evaluate whether Avis Spain is a better credit than say, Avis Italy. Avis Europe, in turn, has guaranteed the debts of each subsidiary.

Meanwhile, Moody's Investors' Service said it has placed the Prime-1 Eurocommercial paper rating of Avis Finance Company (Jersey) Ltd, a wholly-owned subsidiary of Avis Europe, which is under review for a possible downgrading as a result of the proposed acquisition.

Elsewhere, Westland Group and Westland Helicopters have arranged for a £75m revolving bond, guarantee and letter of credit facility intended to provide snpport for export contracts of helicopters. Of the total, £50m is committed. National Westminster Bank and Barclays Bank are co-arrangers. The facility is for five years, extendable annually at the consent of the lenders. There is a ⅛ per cent commitment fee on the unutilised portion of the facility and a guarantee fee of ½ per cent on the amount of outstanding instruments issued.

Telecom Corporation of New Zealand has arranged a $350m five-year note issuance facility of which $150m is committed. Fees are structured to include a 75 basis point facility fee and a 75 basis point utilisation fee if more than half the committed portion is used at any one time. There are six co-arrangers and the facility has been syndicated with 15 financial institutions based in Hong Kong.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	2,268.2	0.0	100.0	9,613.8
Prev	2,731.0	0.0	467.0	9,768.7
Other	1,583.2	14.5	160.0	2,414.0
Prev	1,190.4	17.4	286.6	2,605.4

Secondary Market

US$	20,915.3	1,087.4	6,638.4	5,389.2
Prev	17,097.3	1,430.3	4,044.4	6,199.5
Other	14,077.6	1,402.0	4,599.2	26,541.2
Prev	16,520.9	1,380.6	4,250.4	30,197.4

	Cedel	Euroclear	Total
US$	11,088.5	34,918.8	46,007.3
Prev	9,944.0	31,794.2	41,738.2
Other	21,642.6	29,149.1	50,791.7
Prev	24,543.1	31,906.0	56,449.1

Week to August 24 1989

Source: AIBD

INTERNATIONAL LOANS

Finnish Export SFr75m provides 'a big mystery'

SYNDICATE OFFICIALS are calling a SFr75m deal for the Finnish Export Credit (FEK) one of the biggest mysteries they have seen for years. Amid widespread comment that they could find little demand for the paper, there was curiosity and amazement that the lead manager had decided to bring the deal.

The 8¼ per cent bonds, which mature in October 1992, were launched by Banque Paribas (Suisse) last week with built-in currency options. The options allow the borrower to redeem the bonds in Swiss francs at par, or in US dollars at a fixed exchange rate of SFr1.62. In return, investors are offered a coupon well above that of a straight issue.

Paribas was the lead manager of the first dual-currency iesne in Switzerland, a SFr100m deal for the Kingdom of Denmark on June 5, which at the time cansed syndicate members to express doubts about the applicability of such instruments to the Swiss market. There were difficulties syndicating the issue among sceptical Swiss houses, and today many traders speculate that the bonds remain unplaced.

When Paribas announced the FEK issue, it had greater success forming a syndicate because some banks were so amazed to see it repeating the principle of dual-currency issues that they went into the deal out of curiosity.

Paribas argues that the success of the deal depends on how carefully it is marketed to investors. The complicated structure needs painstaking explanation, and banks cannot afford to sell the concept on a part-time basis.

Further, it claims that both the Denmark and FEK deals have enjoyed good demand. The Denmark bonds are trading at around 102, a premium to the issue price. According to Paribas, after a slow start, there was quality demand during the public subscription period and the deal was widely placed.

Meanwhile, the FEK deal, which opens for public subscription on September 11, was quoted by Paribas at less 1¼ bid, less 1 offered. The lead manager expects real demand for the paper to emerge from the retail market, but claims that up to 75 per cent of the issue has already been placed in the wholesale market.

The dilemma for investors wondering whether to buy the bonds is that they are receiving very different interpretations of the structure from their various advisers.

Take the attitude of one of the Big Three banks. A syndicate official was blunt in his opinion of the deal. He said the structure was dubious.

Not surprisingly, Paribas says this is sour grapes. If the big banks are not keen on the instrument, then Paribas will have a hard time cementing its arrival in the market.

The answer for confused investors lies in the simplest requirements of their investment decision-making process. They should ask themselves whether they understand the bonds, whether they are happy with the currency option they are writing to the borrower, and whether they might feel happier with a lock-in, albeit lower, return from a straight issue.

Andrew Freeman

PRIVATISATION

Water companies splash out with £7bn in credits

FLOATING-RATE notes, tap issues, fast stream payments, liquidity – few industries lend themselves better to metaphorical excess among international bond dealers than the water business. In the UK, the puns are expected to flow thick and fast. Next year, the privatised water companies are likely to dominate issuance on the domestic and international sterling markets.

The reasoning behind this assertion is simple. Before privatisation, the companies have to demonstrate their creditworthiness by establishing working capital. This stage of the privatisation process is nearly complete, and this week the companies are expected to give details of a series of revolving credits worth more than £7bn.

Once in the private sector, the companies are unlikely to make much use of these credits. They are large ntilities with very long-term assets, and they will have to refinance them relatively quickly to reflect this profile.

As one syndicate manager said: "The sterling market, particularly at the longer end, is the natural home for their borrowings." Even the simplest liability matching would imply a substantial proportion of assets at the longer end of the maturity range.

Immediately after privatisation, the companies will seek to cancel some of their short-term credits and replace them with more appropriate funding. UK banks are licking their lips at the prospect of lead-managing deals which will more than offset the Government's gilt-edged stock buy-in programme.

Finance directors of some of the leading water companies confirm that they will be seeking instruments which match their liabilities.

It is possible, however, to sketch a rough outline of the thoughts of excited syndicate officials. One element of the privatisation which will constrain the water companies is the pricing formula governing the charges they can pass on to consumers. The formula includes inflation, raising the possibility that inflation-linked or index-linked financing would be very attractive to them. This could open up a new class of bonds which a wide range of investors would find attractive.

In addition, there is the likelihood that the companies will arrange at least some of their financing through intermediaries like the European Investment Bank (EIB).

The question of credit rating is relevant because the water companies' own ratings will be hard to determine. At this stage, no one knows what effect the regulatory and spending requirements laid down by the UK Government will have on their ability to borrow as corporate entities on the sterling markets.

Syndicate managers are keeping their powder dry, preparing a range of structures for secured, unsecured and covenanted deals. At this stage it must be unclear which market or intermediary will allow the companies the cheapest funds.

The finance directors are are unwilling to speculate. Investors can be certain that they will be offered water company bonds within weeks of being offered the equivalent shares.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Toa Corporation◆◆	200	1993	4	3¾	100	Nikko Secs.(Europe)	3.750
Daido Steel Co.◆◆	200	1994	5	4¼	100	Nikko Secs.(Europe)	4.250
Nat.Westminster Bk.◆◆(a)	300	Undated	-	35bp	100	Salomon Brothers	-
Toyomenka Finance◆★★	50	1993	4	Zero	73¼	Nikko Secs.(Europe)	8.093
Nippon Light Metal◆	300	1993	4	(4⅛)	100	Nomura Int.	★
Ishihara Sangko Kaisha◆	250	1993	4	(4⅛)	100	Yamaichi Int.(Euro.)	★
Hokkaido Electric Power◆	150	1996	7	9⅛	101.60	Yamaichi Int.(Euro.)	8.809
Mitsubishi Bk.Australia◆	50	1994	4	9½	101⅞	Mitsubishi Fin.Int.	9.018
Nat. Credit Card Trust◆	75	1994	5	8¾	99[illegible]	Citicorp Inv.Bk.	8.926
Tokio Marine & Fire Ins.◆	500	1993	4	(4)	100	Nikko Secs.Int.	★
Nissan Diesel Motor Co.◆	200	1993	4	(4⅛)	100	Daiwa(Europe)	★
IADB◆	300	2009	20	8.40	98.57	Merrill Lynch	8.445
Toho Rayon◆	100	1993	4	(4⅛)	100	Daiwa Europe	★
Oki Electric Industry Co.	300	1993	4	(4)	100	Yamaichi Int.(Euro)	★
CANADIAN DOLLARS							
CIBC (Singapore)◆†	600	1994	5	(b)	100	Drexel Burnham	-
Privatbanken◆†	400	1994	5	(b)	100	Drexel Burnham	-
Mercedes-Benz Cr Canada◆	75	1994	5	10¼	101⅝	Deutsche Bk.Cap.Mkts	9.823
AUSTRALIAN DOLLARS							
5th Australian Govt.Fin.◆	75	1994	5	14½	101⅝	Hambros Bank	14.028
Australian Gas & Light◆	50	1991	2	16½	101.95	CCF	15.296
NEW ZEALAND DOLLARS							
Abbey Nat. Second Cap◆	100	1996	7	Zero	45.20	Westpac Banking	12.012
STERLING							
Leeds Permanent◆◆(g)	200	1994/01	-	(g)	100	Merrill Lynch	-
Bristol & West◆◆(h)	150	1994	6	(h)	100	Merrill Lynch	-
D-MARKS							
Hoesch Int.Finance◆◆(d)	200	1999	10	7	135	Deutsche Bank	2.915
Rhythm Watch Co.◆	100	1993	4	(1⅝)	100	Dresdner Bank	★
SWISS FRANCS							
IADB◆	100	1999	-	5¾	101¼	Credit Suisse	5.664
IADB◆	200	2004	-	6	101¼	Credit Suisse	5.872
Finnish Export Credit◆(e)	75	1992	-	8¼	101¼	Bqe Paribas(Suisse)	7.578
Dai-Ichi KatelDenki§★★(f)	80	1994	-	(⅜)	100	Bqe Paribas(Suisse)	★
Dantani Corp.★★§(i)	40	1994	-	(½)	100	Handelsbank NatWest	★
Marufuji Sheet★★§(j)	40	1993	-	(½)	100	Credit Suisse	★
Harumoto Iron Works§(k)	30	1994	-	(½)	100	Nikko(Switz)Finance	★
ECUs							
National Bk. of Hungary◆	75	1996	7	10	101⅞	Kredietbank Int.	9.620
Electric Power Dev.Co.◆	65	1996	7	8⅝	101⅜	WestLB	8.358
British Telecom Fin.◆	150	1994	5	8½	101⅞	DBCM	8.030
Nordic Investment Bk.◆	100	1994	5	8¾	101⅞	CCF	8.277
Commerzbank Overseas◆	75	1994	5	8¾	101⅝	Commerzbank AG	8.339
Electricite de France◆	75	1992	3	8¾	102	BNP Cap.Mkts.	7.974
SWEDISH KRONA							
Kansallis-Osake-Pankki◆	400	1994	5	11⅛	101⅜	Kansallis Banking	10.755
Deutsche Bank Lux.◆	400	1994	5	11	101¼	Deutsche Bk.Cap.Mkts	10.532
AUSTRIAN SCHILLING							
Bk Foreign Econ.Affairs	1bn	1995	8	8	100	Creditanstalt-Bk.	8.000
YEN							
Queensland Treasury◆	15bn	1994	5	5.3	101⅞	IBJ Int.	4.869
SDS Bank◆(c)	3.2bn	1991	2	(c)	101⅛	IBJ Int.	-

★Not yet priced. ★★Private Placement. ◆With equity warrants. §Convertible. ◆Final terms. †Floating rate notes. ◆Variable rate notes. a)35bp over 3-month libor. Fall back rate: years 1-10 +80bp over libor, thereafter +120 over libor. b)Coupon linked to 3-month canadian acceptance rate. c)Launched in 4 tranches of Y1½bn, Y200m, Y1bn and Y500m with first coupons of 5.8%, then between 7½% and 9¼. Redemptions linked to Nymex and Nikkei stock index. d)Warrant exercise period 5 years from [illegible]. Each DM1,000 has warrants entitling investors to buy 8 ordinary shares at DM247 each. e)Borrower can redeem in either SFrs at 100 or in US$ at fixed rate of SFrs1.62. f) Indicated yield to put 4.[illegible]%. g)Initial tranche of 250m of 5yr senior VRNs, and 250m of 12yr subordinated VRNs. Senior have initial margin of 10bp, alternative 50bp. Subordinated have initial margin of 25bp and alternative of 70bp. All linked to 3-month libor. h)Senior VRNs have initial margin of 10bp over 3-month libor. Alternative margin of 50bp over libor. Option to convert into subordinated VRNs. i)Indicated yield to put 4.11%. j)Indicated yield to put 3.[illegible]%. k)Indicated yield to put 4.060%. Note: Yields calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Deficit takes the shine off rally

A VIRTUAL absence of domestic investor activity combined with awful July trade figures combined to leave gilt-edged prices about a point lower at the end of last week. With few significant economics releases in the coming two weeks, the market is likely to move in line with sterling.

Against the trend of conventional gilts, index-linked improved by np to half a point at the long end in response to continually rising prices on the equity market. The strength of equity, while explicable by bid activity, institutional liquidity and foreign interest, continues to surprise many.

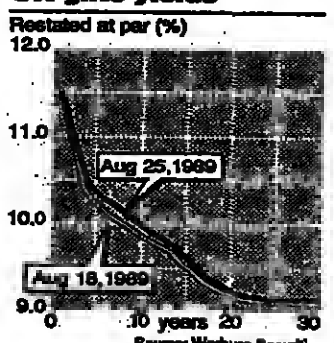
From the point of view of the Treasury and the Bank of England, the one good thing that came from July's £2.1bn current account deficit was that it scotched talk of an early cut in short-term interest rates. (It seems as though many in the markets had missed the Bank of England's recent operations in the money markets to shore up overnight and one-week rates.)

That said, news of a £2.1bn current account deficit unsettled the Treasury. It took the shine off what had been a good run of indicators for July and underlined their continuing residual concerns abont the nature of the slowdown in activity under way.

Both the Treasury and the Bank have been disappointed with the length of time it has taken for the tightening in monetary policy to show

UK gilts yields

Restated at par (%)



Source: Warburg Securities

through in official figures, although they both feel vindicated in using only interest rates to effect the slowdown in demand.

Today the Treasury begins its latest forecasting exercise which will form the basis for the prognostications in the Autumn Statement. On the basis of what is already known it seems likely that, compared with its forecasts at Bndget time, growth will be a little slower but accompanied by higher than expected inflation and a bigger current account deficit, but, on a financial year basis, a lower pubic sector debt repayment.

The extent to which the Treasury/Government is really serious about getting inflation down will govern the length of time the authorities apply the current monetary squeeze. The rhetoric, so far, suggests that getting inflation is the overriding objective of policy.

Mr Nigel Lawson, the Chancellor, made this plain in his radio interview on Friday together with his disinclination to consider an early cut in interest rates. (The Treasury will tell yon that there has been only one pre-Tory Party conference cut in base rates and that was in 1983. Mr Lawson is not a politician who goes out of his way to curry favour with the party faithful.)

Taking that at face value means that the earliest interest rates could be cut would be towards the end of the year. But is that likely? The Treasury and the Bank remain quite concerned about the coming wage round and that would seem to argue for the maintenance of high interest rates rather than an easing in policy.

Although the Treasury was heard to breathe a sigh of relief after the July indicators were published, it remains worried that the squeeze on companies has not been as hard as it would have liked.

The object of policy now seems to be to bear down on margins as much as possible so as to make it difficult for companies to concede excessive pay settlements.

As the Bank pointed out in its recent Bulletin, the outlook for margins depends on that for demand as well as the level of sterling. If the pound were allowed to fall then manufacturers would find it easier to restore margins through higher prices. "The future path of the exchange rate is therefore of considerable importance to the outlook for inflation," the Bank noted.

The line out of the Treasury is that the Government will not validate higher wage settlements by easing policy. If the wage round does concede these settlements then it would seem the monetary squeeze might last longer than many think and the economy dealt a sharper shock than would otherwise be the case. This would imply a greater cost to employment and output than the City currently thinks the Government could allow, most for reasons of political expediency.

The hope within the Treasury is that come the wage round, negotiators are more forward looking. It hopes pay hargainers will tailor their wage demands to an environment where inflation is moderately falling rather than looking back to when it was 8 per cent plus.

There is also one other consideration: the current round of public expenditure negotiations. If the Treasury concedes an upgrading in expenditure in this autumn's negotiations, in the short term that may well well mean a slightly tighter monetary policy as well as limiting the scope for tax cuts next spring. All of this does not appear propitious for those forecasting an early cut in interest rates.

Simon Holberton

US MONEY AND CREDIT

Glimmer of hope for price erosion

THE WORST should be over soon for US bond prices after eroding steadily for most of the past month under the twin burdens of a huge supply of new Treasury issues and strong economic data.

Further slippage was evident last week as the market struggled to digest $26.5bn of new Treasury one-year bills and two-year and five-year notes. In total, the Government will have auctioned a whopping $132bn of secnrities this month, a total inflated by the first fundings of the new rescue package for the savings and loans industry.

The first glimmer of hope that the market was turning the corner came last Wednesday at the auction of $7.75bn of five-year notes. In contrast to the previous day'a very weak sale of two-year notes, the five-years drew considerable demand from the US, Europe and the Middle East.

Their bullishness is based on the belief that recent data, distorted by special factors and some seasonal adjustment, overstated the strength of the US economy. Once the market gets some hig numbers behind it early this week, data in the coming month should show slower growth.

Most notably the market is expecting today a big upward revision in the second-quarter growth of gross national product by about 1 percentage point to a real annual rate of around 2.7 per cent. The main factors are increased consumer spending – particularly on food – a smaller trade deficit and large inventories.

Tomorrow should bring an increase of around 0.8 per cent in personal income and consumption in July, a sharp acceleration from previous months thanks largely to a surge in wages.

Employment data are usually the most closely watched indicator of the economy's strength and August's figures due out on Friday could well make the markets nervous. Because some 150,000 telephone workers who were on strike during the survey week, the US payroll will have expanded by only some 50,000 to 70,000 people during tha month. Adjusting for the strikers, the increase would ba around 200,000, an acceleration from July's weak figure which will put joh creation rates back on the trend of recent months.

Many economists argue thet the recent fears that the economy is rebounding are being hlown out of proportion. Mr Robert Brusca of Nikko Securities says, for example, thet the latest durable goods data were "disturbingly weak." Exclnding the aircraft sector, orders, shipments and backlogs for the rest of the economy "are on clear and disturbing downward trends." Moreover, weakness in a wide variety of other indicators support tha distressing news in the durabla goods report.

With the economy slowing, interest rates should resnme their fall. "I look for a more bullish feeling to sweep the bond market soon. Bnt as every trader knows, 'soon' is a four-letter word."

The Fed's Open Market Committee met last Tuesday and Wednesday but left monetary policy unchanged, most traders and investors believe. The mintes of its previous meeting in July, published last week, presented no surprises. Tha members voted 10 to one for "some slight easing" in policy.

Even though data this month will be weaker than last, another easing of policy soon hy the Fed is considered unlikely by most investors and economists. At most, the central bank will cut the Fed Funds rate, a key tool of monetary policy, only once more during the rest of the year and then by only a quarter of a point, Griggs and Santow. monay market economists, believe.

Just before the most recent meeting of its policy setting committee, the Fed had come under a lot of verbal pressure from the Administration to cut interest rates to forestall a recession. The naked political arm-twisting was led by Mr Richard Darman, President George Bush's budget director.

It was another round in the old tug-of-war over economic policy between partisan politicians and the more objective bureaucrats of the Fed. Fortunately for Mr Alan Greenspan, Fed chairman, Congress is on holiday so there is next to no one in Washington at the moment to weigh in on the Administration's side.

But Congress did leave some unfinished business in the form of recently introduced legislation to increase the politicians' bold on the Fed.

The minutes of a meeting are released a few days after the next meeting some six weeks later. The troubla with a more timely release is thet policy is quite often changed as a result of telephone conferences of the committee members between meetings or the trading desk of the New York Federal Reserve Bank, the instrument of policy, is given a broad mandate to respond to changing conditions. Despite these complications, many on Wall Street would like a speedier confirmation of the Fed's actions.

But they do not want the Treasury Secretary on the Open Market Committee. Rarely would such a Cabinet member advocate an increase in interest rates, an unpleasant action the Fed must take at times to cool the economy and curb inflation.

Bringing in the Treasury Secretary "would politicise the Fed," argues Griggs and Santow, and "end the only independent voice in economic policymaking."

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.88	8.88	9.19	10.00	6.27
Three-month Treasury bills	8.22	8.09	8.08	9.34	6.96
Six-month Treasury bills	8.33	8.28	8.01	9.59	7.42
Three-month prime CDs	8.75	8.90	8.70	10.15	6.77
30-day Commercial Paper	8.83	8.85	8.80	9.70	6.55
90-day Commercial Paper	8.65	8.65	8.50	10.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	90	[illegible]	8.25	8.17	7.91
20-year Treasury	109½	[illegible]	8.31	8.26	8.17
30-year Treasury	99⅛	[illegible]	8.18	8.15	8.08

Source: Salomon Bros (estimates).

Money supply: In the week ended August 14 M1 fell $4.2bn to $774.6bn.

NRI TOKYO BOND INDEX

December 1983 = 100	24/8/89	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	150.20	5.64	150.08	147.82	148.29
Government Bonds	150.36	4.92	150.30	147.83	148.64
Municipal Bonds	152.04	6.31	151.86	149.77	150.92
Govt.-guaranteed Bonds	152.89	6.37	152.72	150.85	151.90
Bank Debentures	144.16	6.19	143.99	141.71	141.59
Corporate Bonds	152.43	6.49	152.25	150.38	148.93
Yen-denom. Foreign Bonds	156.60	6.09	156.34	155.10	152.83
Government 10-year†	5.01	-	5.00	5.10	4.87

† Estimated par yield

Source: Nomura Research Institute

Japan launches Treasuries

By Ian Rodger in Tokyo

JAPAN'S MINISTRY of Finance will make its first issue of three-month Treasury bills next week and plans a gradual build-np to monthly issues.

The move is a concession to domestic and foreign critics who have been calling on the MoF to improve the liquidity of Japan's stunted short-term money markets and to promote the international use of the yen as a reserve currency.

If it was intended as some sort of peace offering to the US authorities before the opening next week of bilateral negotiations on structural impediments to trade, it will probably fail. US officials are sceptical that the MoF will issue enough bills to enable the market to become truly liquid.

They see no sign that the ministry's independent tax bureau will remove a withholding tax that deters foreign financial institutions from trading Japanese bills.

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on 28AUG89

Saab-Scania plans to sell three vehicle parts plants

By John Burton in Stockholm

SAAB-SCANIA, the Swedish automotive and aerospace group, plans to sell its three domestic car and truck component plants as part of an attempt to stem mounting losses in the vehicle division.

The three factories to be sold produce exhaust systems, front and rear axles, cable harnessing and interior furnishing for Saab cars and Scania trucks. Negotiations are now taking place with several potential Swedish buyers at the plant, which employ 1,400 people and are located in Kristinehamn, Kramfors and Nykoping.

Company officials described the planned sale as part of an industry trend towards the production of modular vehicle components by independent sub-contractors. It is the latest step in a reorganisation scheme unveiled in June.

Saab-Scania then announced that its car division had lost SKr450m ($68m) during the first four months of 1989 and predicted that the negative trend would continue throughout the rest of the year. Last week Indevo, a consultancy firm working with Saab-Scania on its restructuring plan, told union officials at the company that the car division had lost SKr1bn during the first six months. Earlier estimates had forecast a deficit of this amount for the entire year.

Saab-Scania officials say the Indevo forecast was made without complete access to the company's financial records. Falling sales in the US, Saab's biggest single market, and currency fluctuations are being blamed for the car division's problems.

Ahold moves to ward off bid

By Our Frankfurt and Financial Staff

AHOLD, the Dutch supermarket chain, yesterday moved to ward off a potential takeover bid by Asko, the aggressive West German retailer, by doubling its equity capital in an issue of preference shares to a friendly foundation.

This came as Mr Helmut Wagner, the chief executive of Asko, yesterday added fuel to speculation over the company's expansion plans by stating that two potential buyers were themselves interested in acquiring shares in Asko.

Asko was ejected last week from a consortium aiming to create a European food retailing alliance embracing Ahold, Argyll of the UK and Casino of France. The move followed its secret accumulation of a 14 per cent stake in Ahold.

Shares in Ahold fell Fl 8.50 to Fl 135.80 ($61.72) yesterday as news of the placement dampened bid prospects. The drop was despite an assurance from the company that the preference share issue – to the "Foundation For The Continuity Of Ahold" – would not dilute earnings per ordinary share. The foundation is taking up 107,130 preference shares at Fl 1,000 each, one quarter paid.

The preference shares carry the same number of votes as all issued ordinary shares together.

At the annual meeting of the Massa discount store group, which owns a half share in Asko, Mr Wagner said Massar's 20 per cent cross-shareholding in Asko was available for new ventures in Germany or the rest of Europe. The stake had already attracted two possible purchasers.

Japan battles over UK seats

By Robert Thomson in Tokyo

THE PUSH for seats on the Tokyo Stock Exchange for two British firms, Barclays de Zoete Wedd (BZW) and James Capel, has become a battle between the TSE, which held an inconclusive meeting yesterday, and Japanese ministries eager to please the British Government.

There had been indications that an exchange committee established to study foreign membership would make an announcement before the visit to Tokyo next month of Mrs Margaret Thatcher, the British Prime Minister, but yesterday's meeting of the committee was poorly attended and apparently took the matter no further.

A day earlier the Nihon Keizai Shimbun, the Japanese economic newspaper, suggested that an announcement would be made soon, although industry operators suggest that its source was Japanese government officials attempting to put pressure on the TSE. However, exchange authorities argue that Mrs Thatcher is not coming to Japan just to talk about the TSE, and that if she raises the matter, the difficulties will be explained.

If a symbolic gesture is not made before the visit, Mrs Thatcher will undoubtedly raise the matter, as she did during the Paris summit and as visiting British ministers have habitually done in Tokyo. The TSE committee has another meeting on September 10, and it is likely that a face-saving proposal will be considered, although it may not satisfy the two firms.

The issue arose when the Tokyo exchange failed to offer BZW and James Capel memberships in December 1987 when 16 other foreign firms were seated. The exchange argues that there is simply no room in its cluttered building, while some senior members also argue that there are already enough foreign firms.

Computerising the exchange is still being considered, while there has been a suggestion that a sort of second-class membership could be created, giving the firms some rights, though that has been strongly opposed by at least one of the two British firms.

Bayer 19% rise leads to optimism for full-year

By Andrew Fisher in Frankfurt

BAYER yesterday rounded off the interim reporting season of West Germany's big three chemical groups by announcing a 19 per cent jump in group pre-tax profits for the first half of 1989 to DM2.2bn ($1.15bn) and expressing optimism that it would exceed the "excellent result" of last year for the full 12 months.

Based on the continuing high order inflow, it expected a good second half, noting that the favourable economic conditions had not changed.

Second-quarter profits, 18 per cent higher at DM1.3bn, rose at a slightly slower rate than the 21 per cent of the first three months. Last year the group lifted pre-tax profits by 23 per cent to DM3.8bn.

Turnover in the first half of this year was 12 per cent higher at DM22.6bn, with foreign sales expanding at a much faster 15 per cent rate than domestic sales, up 7 per cent.

Sales within Europe increased by 7 per cent to DM15.2bn, with a rapid 26 per cent advance to DM4.4bn in North America, half of which was attributable to the higher dollar. Even faster growth occurred in Asia, Africa, and Australia, with a combined improvement of 28 per cent to DM2bn.

In product terms, health care products showed a 22 per cent sales gain to DM3.8bn, the impetus coming from foreign markets.

Also experiencing above average growth were the organic and agricultural chemicals divisions, with turnover of DM3.2bn (up by 16 per cent) and DM3.5bn (13 per cent) respectively.

Like those of Hoechst and BASF, Bayer's interim results confirmed the continuing earnings strength of the German chemical industry.

But while BASF achieved first-half profits growth of 28 per cent, that of Hoechst was a more modest 8 per cent, with a 2 per cent dip in the second quarter. This prompted some analysts to forecast an earlier expected slowdown in the European chemical sector.

Iscor surges prior to privatisation

By Jim Jones in Johannesburg

ISCOR, the state-owned South African steelmaker due to be privatised in November, increased its pre-tax profit by more than two-thirds in the year to June, helped by higher domestic and export prices and despite a small drop in steel sales volumes.

Turnover grew to R5.95bn ($2.2bn) from R4.82bn making it, according to Iscor's own estimates, the world's 15th largest steel company. Liquid steel production increased 2 per cent to 7m tonnes. Operating profit before tax and finance costs was R1.16bn against R0.76bn and the pre-tax profit rose to R1.15bn from R686m.

The directors say no expansion of primary steel production is envisaged for the next five years as the company has enough capacity to satisfy domestic demand and to maintain its share of world export markets. They add that greater export sales will compensate for uncertainty in the domestic steel market this financial year.

Industry analysts in Johannesburg believe Iscor is planning to build a 250,000-tonnes a year stainless steel facility, but company officials will neither confirm nor deny this.

Net earnings increased to 54.1 cents a share from 39.5 cents and the year's dividend has been lifted to 15 cents from 4.3 cents.

● Samancor, South Africa's largest ferro-alloys producer, lifted sales of manganese ore in the 15 months to June as the West's production of carbon steel increased. Exports of manganese alloys were restrained by higher dollar prices while ferro-chrome exports rose strongly with greater world production of stainless steels.

Turnover was R2.13m against the previous year's R913m and the pre-tax profit was R840m, up from R284m.

Samancor, which is controlled by Gencor, South Africa's second largest mining house, is planning a stainless steel plant in a joint venture with Highveld Steel & Vanadium. Indicated annual production will be between 250,000 and 500,000 tonnes a year. Capital expenditure on new plant is expected to be substantially higher than the past 15 months' R103m. Net earnings increased to 378.4 cents a share from 125.5 cents.

● Everite, the South African fibre cement products manufacturer, increased sales by 14 per cent in the year to June but says the improvement in market conditions was not sustained during the second half.

Production was also affected by a strike which began in May and which has continued into the present financial year. Everite is controlled by the Swiss Eternit group.

Turnover advanced to R373m from R326m and the pre-tax profit rose to R41.4m from R29.0m.

Huhtamäki to raise capital to FM510m

By Enrique Tessieri in Helsinki

HUHTAMAKI, the Finnish foods, pharmaceuticals and packaging group with annual sales of FM4.4bn ($1bn) in 1988, is to raise its share capital by FM100m from the present FM410m.

It is calling an extraordinary shareholders' meeting on September 8 to anthorise the change, which follows a one-for-five rights issue in mid-1988 and a one-for-10 scrip issue.

The one-year authorisation being oought by the board would allow for further rights and bonus share issues, targeted issues as well as convertible bonds and bonds with warrants.

Mr Eero Aho, executive vice president of Huhtamäki, said 2m shares of this newest issue of 5m shares would be non-restricted. "The reason why we are raising the group's share capital is to have more flexibility if we have to make fast acquisitions."

The board is also proposing a management incentive scheme that would offer bonds with warrants.

● Huhtamäki is meanwhile to acquire the 50 per cent stake it does not already own in its frozen foods joint venture with Gustav Paulig, another Finnish company.

The joint company, Apetit Pakaste, has turnover for 1989 forecast at FM250m.

● United Paper Mills (UPM), one of Europe's leading printing paper companies, has reported a six-month turnover of FM4.29bn, up from FM2.89bn.

Kajaani, a printing paper company that merged with UPM last March, added FM799m to group sales.

Falconbridge favours joint Noranda offer

THE board of Falconbridge, the Canadian mining group, has recommended a C$2.2bn (US$1.8bn) joint offer by the local Noranda and Trelleborg of Sweden unless a higher bid materialises, writes Robert Gibbens in Montreal.

This overturns a previous endorsement of an offer by Amax of the US, valued at C$36¼ a share.

Noranda and Trelleborg have offered C$37 for the 72.5 per cent interest in Canada's second largest nickel producer that they do not already own, but Amax has not ruled out increasing its offer.

● Share trading in Siossigeno, a quoted Italian industrial gases company, was suspended yesterday amid expectations that Air Liquide of France is to launch a public takeover bid for the 49 per cent it does not already own, writes Alan Friedman in Milan.

A further 20 per cent of Siossigeno is owned by the Falciola family. The ordinary shares rose 6 per cent last Friday to L48,000. Including savings shares, the company is valued at nearly L600bn ($428m).

COMPANY NEWS IN BRIEF

● Matsushita Electric Industrial, the Japanese consumer electronics company, showed 2 per cent growth in consolidated net profit to Y52.6bn for the first quarter to June after domestic sales remained flat and foreign sales rose 17 per cent as a result of increased production abroad, writes Robert Thomson in Tokyo.

Sales rose 6 per cent to Y1,400.2bn.

● Esselte, the Swedish office antomation and supplies group, reported profits after financial items for the first six months virtually unchanged at SKr405m ($61.3m) against SKr404m, while sales climbed 15 per cent to SKr7.94bn, writes John Burton in Stockholm. It blamed soft market demand particularly in North America.

● Resorts International, the New Jersey casino operator, announced a moratorium on payment of interest on its bonds and those of its subsidiaries, Resorts International Finance Inc. and Griffin Resorts, AP-DJ reports from Atlantic City.

This ends an agreement with bondholders on a recapitalisation.

● Club Mediterranée and Nouvelles Frontières have broken off talks that would have led to the creation of Europe's third largest tour operator, AP-DJ reports from Paris.

The two diverged on plans to form a joint airline and on a sales agreement between Club Med and Havas, the media and travel group.

● Viag, the West German energy company which is taking control of the rescued Klöckner & Co trading group, lifted net profits 23 per cent in the six months to June to DM135m ($71m) and said the full-year outcome was likely to be ahead of the previous DM211m, Our Financial Staff writes.

Most of the profit gain came from its aluminium and chemical sides. Interim sales rose 22 per cent to DM5.52bn.

WORLD COMMODITIES PRICES

US MARKETS

IN THE METALS, gold, silver and platinum featured consolidation after Friday's poor performance, reports Drexel Burnham Lambert. Copper prices were lower as trade and commission house profit-taking pared recent gains. December closed down .80c at 1.3090. In the softs, sugar prices fell sharply as commission house sell-stops fueled a 70-point decline basis October. Coffee rallied on news of a possible renewal of the I.C.O. quota system. Cocoa trading was uneventful. The grains were all lower as rainfall in the US Mid-west weighed on the markets. Trading volume was below normal. Cotton futures fell sharply as lack of follow-through buying gave the market a bearish tone. In the livestocks, lower cash prices and slow feedlot movement pushed cattle futures down. Live hogs declined as increased rune prompted selling. Pork bellies fell in anticipation of an increase in the seasonal slaughter rate. The energy markets were slow due to the London holiday.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	360.0	360.7	361.8	360.0
Sep	360.4	361.1	360.0	360.0
Oct	362.2	362.9	363.7	361.6
Dec	366.0	366.7	367.6	365.5
Feb	369.5	370.4	371.4	369.0
Apr	373.4	374.3	374.0	373.5
Jun	377.4	378.3	378.5	378.5
Aug	381.2	382.1	0	0
Oct	385.2	386.0	386.0	386.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	472.5	474.2	0	0
Sep	474.7	476.4	0	0
Oct	477.0	478.7	479.8	474.5
Jan	480.5	482.3	482.5	478.0
Apr	483.8	485.6	482.5	482.5
Jul	487.8	489.3	0	0
Oct	491.8	493.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	509.0	010.8	0	0
Sep	509.5	511.5	514.0	509.0
Oct	013.4	515.4	517.0	017.0
Dec	522.0	524.0	527.0	521.0
Jan	525.2	527.2	0	0
Mar	533.5	535.6	538.0	532.5
May	541.2	543.5	545.0	543.5
Jul	549.3	551.8	553.5	550.0
Sep	557.5	560.2	562.0	561.0
Dec	569.4	572.1	574.0	567.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	136.10	137.30	136.20	135.90
Sep	135.70	136.30	136.00	133.80
Oct	134.10	134.70	0	0
Dec	130.90	131.70	131.60	129.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	18.58	18.51	18.63	18.50
Nov	18.35	18.29	18.40	18.26
Dec	18.23	18.18	18.27	18.16
Jan	18.12	18.09	18.14	18.09
Mar	18.05	18.02	18.06	18.00
May	17.94	17.98	17.94	17.94
Jun	17.97	17.97	17.97	17.97
Jul	17.95	17.96	17.95	17.92

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5140	5143	5160	5135
Oct	5210	5204	5230	5190
Dec	5335	5324	5355	5324
Jan	5330	5311	5345	5310
Mar	5075	5036	5090	5050
May	4815	4758	4815	4750
Jun	4706	4691	4708	4690

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1070	1066	1074	1066
Dec	1089	1085	1090	1081
Mar	1100	1093	1101	1092
May	1116	1111	1117	1111
Sep	1159	1155	0	0
Jul	1137	1132	1135	1136
Dec	1177	1178	1183	1183

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	82.25	79.06	82.40	80.00
Dec	83.21	81.02	84.40	01.50
Mar	85.30	83.40	86.25	83.75
May	87.68	85.50	88.10	80.00
Jul	89.35	87.25	90.00	89.00
Sep	90.88	89.00	92.25	90.75
Dec	93.10	91.50	94.25	93.10

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.14	13.84	13.84	13.06
Jan	12.36	13.08	0	0
Mar	12.26	12.76	12.72	12.18
May	12.11	12.50	12.47	12.00
Jul	11.89	12.28	12.25	11.80
Oct	11.70	12.05	12.05	11.55

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	75.50	76.16	75.55	74.20
Dec	75.26	76.73	76.60	74.73
Mar	77.07	77.58	77.40	75.95
May	77.55	78.06	77.85	76.70
Jul	77.41	77.96	77.70	76.80
Oct	71.10	71.61	72.00	71.10
Dec	68.23	68.40	68.40	67.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	158.95	159.76	159.25	158.10
Nov	[illegible]	142.00	141.40	139.25
Jan	[illegible]	139.20	139.20	137.70

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	578/0	579/4	579/4	570/4
Nov	574/0	576/0	576/4	566/4
Jan	585/0	586/4	586/0	577/4
Mar	594/4	596/4	597/4	589/0
May	604/4	606/0	606/0	599/0
Jul	610/4	613/4	611/0	605/0
Aug	609/0	603/0	0	0
Sep	585/4	585/0	587/0	585/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.17	18.18	18.22	17.96
Oct	18.42	18.41	18.48	18.20
Dec	18.85	18.88	18.90	18.65
Jan	19.07	19.13	19.10	18.90
Mar	19.46	19.50	19.50	19.30
May	19.80	19.82	19.80	19.70
Jul	20.15	20.15	20.15	20.05
Aug	20.00	20.05	19.96	20.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	191.7	190.9	191.8	188.2
Oct	182.9	183.9	183.0	180.8
Dec	181.8	182.7	182.1	179.5
Jan	181.8	183.5	101.8	180.0
Mar	182.5	184.0	182.6	180.6
May	183.0	184.0	183.0	181.0
Jul	184.0	184.0	184.0	181.8
Aug	184.5	182.7	184.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	232/2	232/6	232/4	229/6
Dec	232/4	234/2	233/4	231/0
Mar	239/6	241/2	240/4	237/6
May	244/6	246/6	245/4	243/0
Jul	246/2	248/2	247/4	245/0
Sep	239/4	241/2	239/6	239/4
Dec	239/4	241/0	240/0	236/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	386/4	390/4	389/0	386/4
Dec	401/6	403/2	401/4	399/0
Mar	404/4	406/6	405/4	403/0
May	392/0	394/4	393/0	389/6
Jul	362/4	361/4	363/4	360/0
Sep	367/4	366/4	367/4	367/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	73.02	73.60	73.50	73.02
Oct	74.57	75.27	75.25	74.50
Dec	73.62	74.17	74.20	73.57
Feb	72.60	73.12	73.17	72.47
Apr	73.72	74.17	74.20	73.65
Jun	71.66	72.02	72.15	71.65
Aug	70.00	70.15	70.10	70.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	40.62	41.32	41.17	40.60
Dec	41.92	42.42	42.10	41.65
Feb	43.20	43.30	43.30	42.80
Apr	40.82	40.90	40.88	40.60
Jun	45.25	45.45	45.35	45.15
Jul	45.62	46.02	45.85	45.60
Aug	44.12	44.17	44.25	44.00
Oct	41.10	41.35	0	41.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	41.10	41.82	41.80	40.80
Mar	41.25	41.73	41.80	40.95
May	42.85	43.10	43.15	42.25
Jul	42.62	0	43.25	42.62
Aug	41.75	42.65	42.70	41.75

UK COMPANY NEWS

Kentish chief criticises Halifax on Wharf receiver

By Andrew Taylor, Construction Correspondent

MR KEITH PRESTON, chairman and chief executive of the failed Kentish Property Group, is today expected to criticise Halifax Building Society for appointing a receiver to Burrells Wharf, a large residential development in London's docklands.

Mr Preston is due to address the first meeting of Kentish shareholders since a liquidator was appointed on August 2. He is expected to give his version of events leading up to the company's collapse at the end of last month.

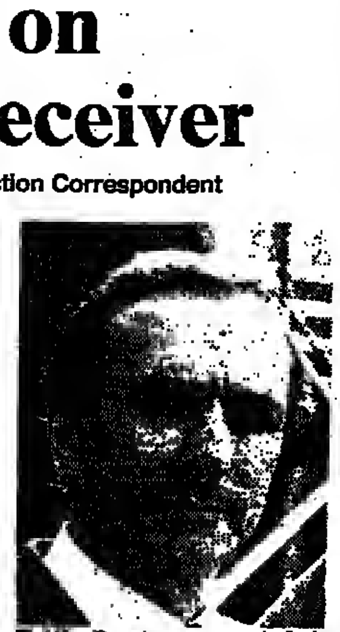
A report by the company's directors read by the liquidators to creditors at meetings earlier this month said Halifax had appointed a receiver in July without warning and without the knowledge of the board.

The directors said they were still trying at that stage to persuade Halifax that Burrells Wharf would show only small losses if the phasing of the development was rethought and loan terms altered.

Revised proposals for Burrells Wharf presented in early July showed a net loss of no more than £6m in the worst case, according to the directors.

Halifax had lent Kentish approaching £26m against the Burrells Wharf development. Kentish said it had no choice but to petition the courts for an administrator to be appointed to protect unsecured creditors once a receiver had been appointed to Burrells Wharf.

The company's view is that Halifax may have been premature in appointing a receiver



Keith Preston: expected to give his version of events

and that the society's losses are likely to be much higher as a result. Some estimates suggest losses could be as high as £15m.

About 100 people had paid deposits to acquire flats in Burrells Wharf. These are now deciding whether to go ahead with purchases following an offer by Halifax to subtract from the purchase price the amount of lost deposit paid to Kentish.

The society's plans to complete a big part of the development might be put in jeopardy if large numbers of purchasers decide not to go ahead.

A group of banks led by Security Pacific are in a similar position at Bow Quarter another other large residential development in east London where Kentish had taken deposits from about 150 purchasers.

Congress and Goldsmith in war of words over BAT

Sir James attacked as 'a break-up artist'

By Peter Riddell, US Editor, in Washington

SIR JAMES GOLDSMITH was yesterday attacked as "a break-up artist" by leading congressional opponents of his bid to take over BAT Industries.

The criticism came as Sir James stepped up his own attack on the 200-plus members of Congress who earlier this month wrote to Mr James Baker, the US Secretary of State, asking him to "communicate our concern to the British Government."

In comments reported in the Washington Times, Sir James said that contributions by political action committees, on behalf of industry interests, were behind congressional opposition to the takeover. He claimed that the tobacco lobby had contributed to 80 per cent of thesignatories of the letter.

Sir James said: "The tobacco industry is the primary motivating force behind congressional interest in creating fog and muddying the waters."

Senator Wendell Ford and Senator Mitch McConnell, who organised the letter and are both from the tobacco state of Kentucky, yesterday called Sir James's earlier attacks "unwarranted and unfair."

Senator Ford, a Democrat, said "Goldsmith is a break-up artist who intends to dispose of everything BAT owns except the highly profitable tobacco business. He calls it 'deconglomeration,' we call it asset-stripping. Goldsmith says the break-up is good for business. We say it would be good for Goldsmith's wallet but disastrous for BAT businesses, employees, stockholders and communities."

The senators said: "Once a ledger-jockey hits full stride, ideas like prudence and fiduciary responsibility to shareholders simply slide away." They justified congressional involvement on the grounds that "American interests are at risk. The financial vitality of American companies and the economic health of our communities are at risk."

Senator McConnell, a Republican, argued that there were obvious public policy issues – "should we encourage job creation or create wealth for a few individuals? And, more importantly, what is best to foster America's global competitiveness – long-term investing or short-term profiteering?"

They noted that Hoylake, the Goldsmith bid vehicla, had "carefully constructed" the deal in order to skirt US regulatory jurisdiction even though the US accounts for more of BAT's assets and earnings than any other country by far.

The Bush administration has taken no position on the bid, merely passing on the congressional concern to the British Embassy in Washington. The Securities and Exchange Commission is investigating whether the proposed deal comes within its jurisdiction.

The main problems for Hoylake are at a state level where insurance commissioners are reviewing the bid because of BAT's Farmers Group subsidiary. On Friday, a federal judge blocked Hoylake's request for a preliminary injunction blocking the Texas insurance commissioner's review of the deal.

States to look closely at Generali's role

US STATE insurance commissioners are likely to scrutinise closely the role of Assicurazioni Generali, the Italian insurance group, in the proposed sala of Farmers' Group, BAT Industries' US insurance subsidiary, to Axa Midi of France, writes Roderick Oram in New York.

Sir James Goldsmith is trying to arrange the sale as a way of clearing US regulatory hurdles. Hoylaka, his bid vehicle, said last week that Axa Midi had agreed conditionally to buy Farmers for \$4.5bn (£3bn) if it won control of BAT.

But some people involved in US insurance regulation have warned that tha attempt to pre-sell Farmers Group could complicate the approval process. One particularly complex question is whether Generali might be forced by some state commissioners to make detailed financial disclosures because of its 16 per cent stake in Compagnia du Midi, the French company which owns 99 per cent of Axa Midi. Texas, however, indicated yesterday that it would require only a registration form.

Generali has tried to distance itself from the deal to avoid public scrutiny. It said it had been informed by Axa Midi of the agreement with Hoylake but it had not been invited to participate and had no wish to do so. "This is a hostile bid...and that is not our style," a spokesman said last week.

US laws consider a holding of 10 per cent or more in an insurance company a "rebuttable presumption" that the investor has a controlling interest warranting full disclosure. It will be up to Generali to prove it exercises no control of Compagnie du Midi, said Mr David Simmons, general counsel for the National Association of Insurance Commissioners.

HOYLAKE, the vehicle through which Sir James Goldsmith's consortium is making its bid for BAT Industries, is believed to be planning a further circular to shareholders this week, writes Nikki Tait. This will reply to certain points raised by BAT in its own defence document, posted a week ago.

Meanwhile, Hoylake's sale agreement with Axa Midi, the French insurance company, for Farmers – BAT's US insurance arm – suggests that, if the offer is revised, all subscribers for shares in Hoylake may be required to put cash up front, rather than subscribe in the event of the offer going unconditional. Hoylake would then have a "fighting fund" of over £900m at its disposal.

The sale documents state that a new subscription and shareholders' agreement "shall be ... in the form of the annexed draft subscription agreement, which provides that Hoylake may require all subscribers to subscribe shares at any time when demanded and not only when the offer or revised offer has become or been declared unconditional."

The total commitment of Axa and the "new cash shareholders" – who correspond to a colourful list of wealthy prospective investors in Hoylake unveiled in the offer document, but exclude the original Goldsmith/Rothschild/Packer trio – set out in the draft agreement is £916m. The additional commitment of the Goldsmith, Rothschild and Packer companies, as set out, is £750,000.

DRG prepares its defences for a possible takeover bid

By Clay Harris

DRG, the paper and packaging group best-known for Basildon Bond stationery and Sellotape, is girding for a possible takeover bid from Mr Roland Franklin, the New York-based veteran of Britain's 1970s secondary banking crisis who now controls nearly a quarter of its shares.

Pembridge Investments, Mr Franklin's Bermnda-based vehicle, last week lifted its holding in DRG from 21.7 per cent to 24.4 per cent. It has more than doubled its stake since late July.

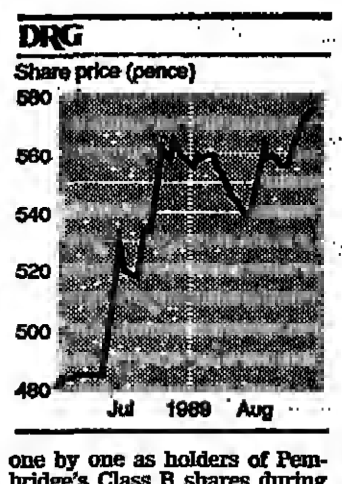
When the latest purchase was announced on Friday, DRG shares added 7p to 573p, an all-time high. At that price, the company is valued at nearly £622m, about 14½ times its 1988 earnings.

Mr Moger Woolley, DRG chief executive, said yesterday that he had no plans to open discussions with Mr Franklin.

"I find it difficult to know what I would say," Mr Woolley said. "We really do come out of two different worlds. I'm an industrialist who builds businesses for the future. I can't see him as anything other than an asset stripper."

Mr Woolley said DRG was exploring a number of possible defensive options with its advisers including the merchant bank Lazard Brothers and the stockbroker Cazenove.

DRG is also focusing on the so far unidentified individuals or entities who have emerged



one by one as holders of Pembridge's Class B shares during the 15-month period that Mr Franklin – the only disclosed Class A shareholder – has been building the stake.

There are now six or seven Class B shareholders. Mr Woolley said the dates of each one's first appearance on Pembridge documants "don't bear any particular relation to those of acquisition of DRG shares." Nevertheless, one possible explanation is that Mr Franklin is building np a club of investors to finance the stake-building or to back a full bid.

Mr Franklin was not available for comment at his Manhattan office. Ha was joint managing director of Keyser Ullman, the merchant bank which was one of the most prominent occupants of the "lifeboat" established by the Bank of England for secondary banks in 1974 after the property market collapsed.

Upon leaving Keyser Ullmann in 1975, Mr Franklin joined the boards of Anglo-Continental and Cavenham, two of the then Mr James Goldsmith's main vehicles at the time.

His association with the subsequently knighted Sir James has continued since then, and was most marked in the US where he played a role in most of the big Goldsmith acquisitions, including tha forest products groups Diamond International and Crown Zellerbach. Pembridge's New York office is located in a building owned by a Goldsmith company.

Although he conceded potential predators might consider a break up appropriate for his diversified group, Mr Woolley said yesterday: "I think it's got great value as an entity."

In 1988, DRG reported pre-tax profits of £58.2m on turnover of £772.5m. At the operating level, £19.7m of profits came from stationery, £7m from packaging, £7.8m from office and print supplies and £8.7m from engineering. Nearly 40 per cent of turnover arose outside the UK.

BSR Intl sells Swan

BSR International, the Hong Kong-based but London-listed electronics group, has sold Swan Housewares, its subsidiary manufacturing small electrical kitchen appliances, to Moulinex of France. The price was not disclosed.

The acquisition of Swan gives Moulinex its first manufacturing presence in the UK, two factories near Birmingham, and a facility at Omegna in northern Italy, where its products are sold under the Girmi brand.

Tilbury attacks Lilley

TILBURY, which is fighting a £124m bid from fellow-construction group Lilley, has attacked the latest circular from the bidder, describing it as "in poor taste and mostly irrelevant to tha matter in hand."

In his own letter to shareholders, Tilbury's chairman, Mr Patrick Edge-Partington, goes on to strenuously deny specific claims made by Lilley. Points made by Tilbury include:

- the assertion that Tilbury's pre-tax profit growth over the last fiva years has been 44.1 per cent compound, compared with the sector's 32.2 per cent;
- that work currently being undertaken takes in a £14m contract in Avonmouth, £10m in Sellafield, and £11m in Irvine - against claims that it is not prepared to contemplate contracts over £5m.

Sally UK seeks clarification

Sally UK Holdings said yesterday that it will be seeking to clarify the relationship between Red Funnel, the Isle of Wight ferry operator for which it is making a £24m cash bid, and Associated British Ports. ABP acquired a 1.07 per cent holding in Red Funnel at 240p a share - above the 236p Sally offer price - last week, but declined to be drawn on its future intentions.

Unilever to acquire Sheffield Products

Unilever is to acquire the Sheffield Products Company, part of the Philip Morris group of the US.

Terms of the deal were not disclosed.

Sheffield, based in Norwich, New York, is a world leader in the production of highly refined speciality proteins and a major US producer of pharmaceutical grade lactose.

The purchase is being carried out by Quest International, headquartered in Holland and part of Unilever United States, the holding company for Unilever's operations in the US.

FINANCIAL TIMES STOCK INDICES

	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 18	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs ..	87.14	87.12	87.22	87.62	87.60	87.54	89.29	83.75	127.4	49.18
Fixed Interest	98.28	98.40	97.67	97.82	97.71	97.69	99.59	95.21	105.4	50.53
Ordinary	1981.0	1977.9	1975.9	1966.3	1969.0	1979.0	1981.0	1447.8	1981.0	49.4
Gold Mines	197.0	199.9	201.7	202.0	202.0	204.0	206.0	154.7	734.7	43.5
FT-Act All Share	1212.11	1210.39	1205.78	1201.50	1204.17	1204.75	1212.11	921.22	1238.57	61.92
FT-SE 100	2397.4	2393.1	2382.4	2370.8	2374.7	2375.1	2397.4	1782.8	2443.4	986.9

UK COMPANY NEWS

Queasy stomachs on a bumpy rollercoaster ride

Andrew Hill on the changing fortunes of Fobel

SILVER-HAIRED Mr Alan Leboff jokes that his hair was brown before the events of *Tiananmen Square in* May and June.

At the time, Mr Leboff could not afford to jest. He is chairman of Fobel International, which in a normal year should make 50 per cent of its profits and over 75 per cent of its sales from high technology electronic products manufactured in Hong Kong and China.

By cruel coincidence, the crushing of the Chinese democracy movement immediately preceded Fobel's June announcement that it had lost £181,384 before tax in 1988, compared with £2.67m of profit in the previous year.

Important Fobel subsidiaries and associates had suffered, separately, from price competition, shortage of crucial components, changes in legislative standards and a serious factory fire.

Between March and the end of July, Fobel's share price halved to a two-year low of 36p.

But as it turned out Tiananmen did not prove a disaster for Fobel.

"Our Hong Kong factory finished 15 minutes early on the Wednesday afterwards, so that the girls could go down to the canteen and sing patriotic songs," says Mr Leboff, who asked for daily updates to be faxed from the Far East to Fobel's Dunstable headquarters. But that, he claims, was the extent of the disruption.

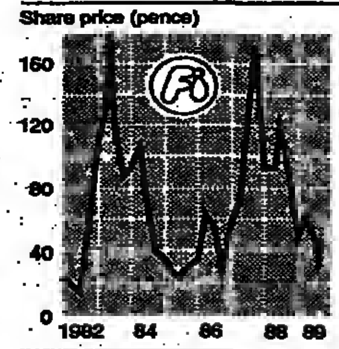
Bad news from the Far East was followed aarlier this month by good news from the other end of the technological spectrum, when Fobel's Canadian associate Premdor – the world's largest manufacturer of doors – announced a merger with one of its principle competitors, Century Wood Door.

Mr Leboff places great hopes for Fobel's future in Premdor, despite the fact that a price war last year cut profits by 60 per cent. Fobel owns a 22 per cent stake in the group, which was floated on the Montreal and Toronto stock exchanges in 1986.

As well as reducing the risk of another price war, the Century merger should reap C$2m (£1.08m) for Fobel in the form of a special dividend, quite apart from the boost in Premdor's share price. The deal will dilute the Fobel stake to 15.2 per cent – or 20 per cent of the votes – but the news has already increased the value of that stake by more than half.

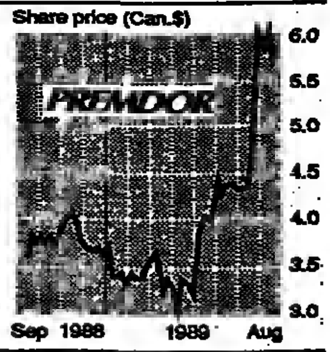
Fobel Intl.

Share price (pence)



Premdor

Share price (Can.$)



Mr Leboff hopes these developments will settle the stomachs of shareholders, already queasy from the nine-year rollercoaster ride of Fobel's share price which belies the company'e solid beginnings.

Founded by Mr Leboff's grandfather, a Russian immigrant, at the end of the last century, Fobel began life as a cabinet-maker. It diversified into the manufacture of wooden stocks for rifles during the First World War and eventually came to the market as S. Leboff (Fobel) in 1966, a family-controlled distributor and merchandiser of do-it-yourself goods.

Two decades later, Mr Leboff presides over 21 subsidiaries, some defunct, and two associates.

In a decent year he thinks about half the group's profits would come from its 51 per cent holding in Radofin, which owns the factories in Hong Kong and China and has also been the motor for the Fobel share price switchback.

When the group's investment started to take off Radofin was making calculators, video games and computers for large electronics groups like Mattel, Texas Instrument and Philips. Income from Hong Kong began to offset problems with Fobel's domestic DIY business and in 1981 the parent group moved from losses to profit of £2.11m before tax, upping that to £3.12m the following year.

Industry analysts, in a fever about the prospects for Radofin and its speculative investment *in a new US computer venture*, forecast Fobel would go on to make £6m or £7m.

But dependence on ona major customer – Mattel – hit Fobel heavily when the US group's electronic games divison collapsed and in 1984 Fobel slumped into losses of £4.49m.

"Electronics is a boom and bust business: if you've got something which is the latest high-tech item there's no way you can make it fast enough, but the moment it's outdated there's suddenly no market for it," says Mr Leboff now.

Radofin, which does most of the research, development and design work for customers, will go on producing computers, telephones, printers, video cards, modems, electronic toys and games, says Mr Leboff, but for a wider variety of clients. And it will never concentrate all its manufacturing capacity on a single consumer electronics fad.

If the Far East is under control, Fobel shareholders are still looking for Mr Leboff to improve earnings in the UK, in an attempt to cover some £1.25m of unrelieved advanced corporation tax.

At the moment UK subsidiaries – supplying electrical appliances and DIY accessories, and making plastic mouldings and sports shoe soles – account for just 20 per cent of annual profits in a normal year. Mr Leboff wants it to grow to 40 per cent. The electronics share would come down to 30 per cent and the balance would come from Premdor.

If trading does not lift Fobel out of the doldrums there is always the possibility of a break-up bid. Capitalised at £8.6m, the group is trading at a discount to the combined value of its Premdor holding (nearly £6.5m) and its land and buildings (£2.4m on Fobel's estimates).

Mr Leboff, whose family still controls about 40 per cent of the company, admits he has had offers for all or part of the group. But at 56 he has ridden the Fobel rollercoaster and seems to have no intention of giving up.

Watering down the effects of hard accountancy

Andrew Hill on the explosion of corporate identity

FORGET THE investment poteutial of the UK's water industry – as a design concept the 10 water authorities are definitely a buy.

In the authorities' last annual reports before privatisation, moody photographs of rainbows and sun-dappled reservoirs vie with pictures of macho engineers surrounded by glisteniug machinery or beautiful children drinking long draughts of tap water.

Yorkshire Water, which carries a whita rose motif throughout the report, illnstrates a paragraph on accounting for infrastructure assets with an aerial view of a croissant, a cup of coffee and a copy of the Financial Times.

The two largest authorities – Severn Trent and Thames – are at the forefront of this explosion of corporate identity.

Both have sought to present their directors, literally, in a different light. Severn Trent's chairman, Mr John Bellak, and his executives are pictured in half-darkness, lit from one side like the stars of a horror movie.

Their counterparts at Thames, led by Mr Roy Watts, appear in a startling blue mouochrome, lined up as though on an identity parade ("It was *him* – *he* was the one who put up the water rate.").

At the business end of the acconnts, the authorities reveal that they have already spent £13m in total preparing for privatisation.

Most of that represents the first tranche of fees for tha myriad merchant banks, stockbrokers, lawyers and accountants advising the industry.

The figure does not include the cost of the industry'e "awareness" advertising campaign earlier this year, but it does cover the cost of restructuring the business in preparation for vesting day on Friday, the formal first step towards flotation of the authorities in November.

The control of water resource management, flood defence, fisheries, navigation, harbours, land drainage and some conservation duties will be *transferred* to the new National Rivers Authority (*which launches its new* corporate identity on Friday).

Meanwhile, the authorities are preparing for the £20bn or so of capital expenditure they plan to carry ont between now and the year 2000. An announcement is expected this week giving formal details of the credit facilities arranged by the water companies to satisfy their working capital requirements.

The facilities should consist of a series of short to medium-term revolving credits, with an option to cancel so that the companies can replace the capital with more appropriate credits after privatisation.

See Lex and International Capital Markets

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Astec (BSR).
Final- Genbel Investments.

FUTURE DATES

Interims-

Brammer	Sep. 6
EW Fact	Sep. 5
Handley-Walker	Aug. 30
Kerry	Sep. 12
Pickwick	Sep. 5
Renaissance	Aug. 30
Taylor Woodrow	Sep. 5
Tribble Harris	Aug. 31
Tyne Tees Television	Sep. 7
United Plantations Africa	Sep. 12
Finals-	
China & Eastern Inv	Sep. 7
Interlink Express	Sep. 12

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Espirito Santo Fin. Hldgs. (Section: Banks).
Forwell Group (Industrials).
Le Creuset (Industrials).
Nationwide Legal Services (Americans).
Mobil Corp. (Oil & Gas).
Polar Electronics (Electricals).
Radiotrust (Finance, Land).
Sears Roebuck (Americans).
SmithKline Beecham (Industrials).
Do. Equity Units (Industrials).
Thornton Asian Emerging Mkts. Wrrnts. (Trusts).

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 25, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.1361	32.3289	44.0621
Albania	(Lek)	10.119	6.4370	3.2960	4.4923
Algeria	(Dinar)	12.0243	7.6490	3.9147	5.3382
Andorra	(Fr Fr)	10.3525	6.5855	3.3721	4.5960
	(Sp Peseta)	191.95	122.1055	62.5244	85.2164
Angola	(Kwanza)	47.774	30.3905	15.5615	21.2093
Antigua	(E Carr $)	4.23279	2.6925	1.3787	1.8791
Argentina	(Austral)	1025.1	652.0992	333.9087	455.0943
Aruba	(Florin)	2.8062	1.7851	0.9140	1.2458
Australia	(Aus $)	2.06975	1.3166	0.6741	0.9188
Austria	(Schilling)	21.625	13.7563	7.0439	9.6004
Azores	(Port Escudo)	256.90	163.4223	83.6807	114.0510
Bahamas	(Bahama $)	1.5720	1	0.5120	0.6978
Bahrain	(Dinar)	0.5907	0.3757	0.1924	0.2622
Balearic Is	(Sp Peseta)	191.95	122.1055	62.5244	85.2164
Bangladesh	(Taka)	49.30	31.3613	16.0586	21.8867
Barbados	(Barb $)	3.1532	2.0057	1.0270	1.3998
Belgium	(Belg Fr)	64.30c	40.9033	20.9446	28.5460
		64.45g	40.9987	20.9934	28.6126
Belize	(B $)	3.1354	1.9945	1.0213	1.3919
Benin	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Bermuda	(Bermudian $)	1.5720	1	0.5120	0.6978
Bhutan	(Ngultrum)	25.90	16.4758	8.4364	11.4983
Bolivia	(Boliviano)	4.3425	2.7624	1.4144	1.9278
Botswana	(Pula)	3.2125	2.0435	1.0464	1.4261
Brazil	(Cruzado)	4.1025	2.6097	1.3363	1.8213
British Virgin Is	(US $)	1.5720	1	0.5120	0.6978
Brunei	(Brunei $)	3.09575	1.9692	1.0083	1.3743
Bulgaria	(Lev)	1.3767	0.8757	0.4484	0.6111
Burkina Faso	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Burma	(Kyat)	11.1325	7.0817	3.6262	4.9422
Burundi	(Burundi Fr)	257.25	163.6450	83.7947	114.2064
Cameroon	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Canada	(Canadian $)	1.8430	1.1723	0.6003	0.8182
Canary Is	(Sp Peseta)	191.95	122.1055	62.5244	85.2164
Cp. Verde Is	(CV Escudo)	120.721	76.7945	39.3228	53.5942
Cayman Is	(CI $)	1.3012	0.8277	0.4238	0.5776
Cent. Afr. Rep	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Chad	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Chile	(Chilean Peso)	416.88	265.1908	135.7915	185.0743
China	(Renminbi Yuan)	5.9163	3.7635	1.9271	2.6265
Colombia	(Col Peso)	621.705	395.4866	202.5097	276.0066
Comoro Is	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Congo (Brazz)	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Costa Rica	(Colon)	124.083	78.9332	40.4179	55.0867
Cuba	(Cuban Peso)	1.19396	0.7594	0.3888	0.5300
Cyprus	(Cyprus £)	0.7930	0.5044	0.2583	0.3520
Czechoslovakia	(Koruna)	24.225c	15.4103	7.8908	10.7547
		15.68i	9.9745	5.1074	6.9611
		15.68s	9.9745	5.1074	6.9611
Denmark	(Danish Kroner)	11.9500	7.6017	3.8925	5.3052
Djibouti Rep	(Djib Fr)	275.00	174.9363	89.5765	122.0865
Dominica	(E Carrib $)	4.23279	2.6925	1.3787	1.8791
Dominican Rep	(D Peso)	10.049	6.3924	3.2732	4.4612
Ecuador	(Sucre)	848.72o	539.8982	276.4560	376.7902
		904.19a	575.1844	294.5244	401.4162
Egypt	(Egyptian £)	4.023	2.5591	1.3104	1.7860
El Salvador	(Colon)	7.8625	5.0015	2.5610	3.4905
Equat'l Guinea	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Ethiopia	(Ethiopian Birr)	3.22225	2.0497	1.0495	1.4304
Falkland Is	(Falk £)	1.00	0.6361	0.3257	0.4439
Faroe Is	(Danish Kroner)	11.9500	7.6017	3.8925	5.3052
Fiji Is	(Fiji $)	2.3822	1.5153	0.7759	1.0575
Finland	(Markka)	6.92325	4.4040	2.2551	3.0735
France	(Fr)	10.3525	6.5855	3.3721	4.5960
Fr. Cty/Africa	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Fr. Guiana	(Local Fr)	10.3525	6.5855	3.3721	4.5960
Fr. Pacific Is	(CFP Fr)	185.00	117.6844	60.2605	82.1309
Gabon	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Gambia	(Dalasi)	9.6414	6.1332	3.1405	4.2803
Germany East	(Ostmark)	3.0700	1.9529	1	1.3629
Germany West	(D Mark)	3.0700	1.9529	1	1.3629
Ghana	(Cedi)	434.00	276.0814	141.3680	192.6748
Gibraltar	(Gib £)	1.00	0.6361	0.3257	0.4439
Greece	(Drachma)	264.43	168.2124	86.1335	117.3940
Greenland	(Danish Krone)	11.9500	7.6017	3.8925	5.3052
Grenada	(E Carr $)	4.23279	2.6925	1.3787	1.8791
Guadaloupe	(Local Fr)	10.3525	6.5855	3.3721	4.5960
Guam	(US $)	1.5720	1	0.5120	0.6978
Guatemala	(Quetzal)	4.4795	2.8495	1.4591	1.9886
Guinea	(Fr)	470.31	299.1793	153.1954	208.7946
Guinea-Bissau	(Peso)	1019.005	648.2220	331.9234	452.3884
Guyana	(Guyanese $)	46.88	29.8218	15.2703	20.8124
Haiti	(Gourde)	7.8385	4.9863	2.5532	3.4799
Honduras	(Lempira)	3.1434	1.9996	1.0239	1.3955
Hong Kong	(HK $)	12.27225	7.8067	3.9974	5.4482
Hungary	(Forint)	95.62896	60.8326	31.1494	42.4545
Iceland	(Icelandic Krona)	95.60	60.8142	31.1400	42.4417
India	(Indian Rupee)	25.90	16.4758	8.4364	11.4983
Indonesia	(Rupiah)	2811.305	1788.3619	915.7345	1248.0821
Iran	(Rial)	116.00	73.7913	37.7850	51.4983
Iraq	(Iraqi Dinar)	0.50433	0.3208	0.1642	0.2238
Irish Rep	(Punt)	1.1515	0.7325	0.3750	0.5112
Israel	(Shekel)	3.140	1.9974	1.0228	1.3940
Italy	(Lira)	2205	1402.6717	718.2410	978.9123
Ivory Coast	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Jamaica	(Jamaican $)	8.4610	5.3823	2.7560	3.7562
Japan	(Yen)	225.25	143.2888	73.3713	100
Jordan	(Jordanian Dinar)	1.0501	0.6680	0.3420	0.4661
Kampuchea	(Riel)	157.20	100	51.2052	69.7891
Kenya	(Kenya Shilling)	33.50	21.3104	10.9120	14.8723
Kiribati	(Australian $)	2.06975	1.3166	0.6741	0.9188
Korea North	(Won)	1.5207	0.9673	0.4953	0.6751
Korea South	(Won)	1050.00	667.9389	342.0195	466.1487
Kuwait	(Kuwaiti Dinar)	0.4682	0.2978	0.1525	0.2078
Laos	(New Kip)	895.16	569.4402	291.5830	397.4073
Lebanon	(Lebanese £)	838.61	533.4669	273.1628	372.3018
Lesotho	(Maluti)	4.3445	2.7636	1.4151	1.9287
Liberia	(Liberian $)	1.5720	1	0.5120	0.6978
Libya	(Libyan Dinar)	0.48238	0.3068	0.1571	0.2141
Liechtenstein	(Swiss Fr)	2.6475	1.6841	0.8623	1.1753
Luxembourg	(Lux Fr)	64.30	40.9033	20.9446	28.5460
Macao	(Pataca)	12.6440	8.0432	4.1185	5.6133
Madeira	(Port Escudo)	256.90	163.4223	83.6807	114.0510
Malagasy Rep	(MG Fr)	2367.9	1506.2977	771.3029	1051.2319
Malawi	(Kwacha)	4.400	2.7989	1.4332	1.9533
Malaysia	(Ringgit)	4.23475	2.6938	1.3793	1.8800
Maldive Is	(Rufiya)	13.1844	8.3870	4.2945	5.8532
Mali Rep	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Malta	(Maltese £)	0.5615	0.3571	0.1828	0.2492
Martinique	(Local Fr)	10.3525	6.5855	3.3721	4.5960
Mauritania	(Ouguiya)	134.979	85.8645	43.9671	59.9240
Mauritius	(Maur Rupee)	24.35	15.4898	7.9315	10.8102
Mexico	(Mexican Peso)	4013.5a	2553.1170	1307.3289	1781.7980
		3925.5d	2497.1374	1278.6644	1742.7302
Miquelon	(Local Fr)	10.3525	6.5855	3.3721	4.5960
Monaco	(French Fr)	10.3525	6.5855	3.3721	4.5960
Mongolia	(Tugrik)	5.26042	3.3463	1.7134	2.3353
Montserrat	(E Carr $)	4.23279	2.6925	1.3787	1.8791
Morocco	(Dirham)	13.4491	8.5554	4.3808	5.9707
Mozambique	(Metical)	1197.033	761.4713	389.9130	531.4241
Namibia	(S A Rand)	4.3445	2.7636	1.4151	1.9287
Nauru Is	(Australian $)	2.06975	1.3166	0.6741	0.9188
Nepal	(Nepalese Rupee)	37.6248	23.9343	12.2556	16.7035
Netherlands	(Guilder)	3.4625	2.2026	1.1278	1.5371
N'nd Antilles	(A/Guilder)	2.8296	1.8000	0.9216	1.2562
New Zealand	(NZ $)	2.6745	1.7013	0.8711	1.1873
Nicaragua	(Cordoba)	32393.5	20606.5521	10551.6286	14381.1320
Niger Rep	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Nigeria	(Naira)	11.3188	7.2002	3.6869	5.0249
Norway	(Nor. Krone)	11.2125	7.1326	3.6522	4.9778
Oman	(Rial Omani)	0.6033	0.3837	0.1965	0.2678
Pakistan	(Pak. Rupee)	32.70	20.8015	10.6514	14.5172
Panama	(Balboa)	1.5720	1	0.5120	0.6978
Papua New Guinea	(Kina)	1.3653	0.8685	0.4447	0.6061
Paraguay	(Guarani)	1994.00	1268.4478	649.5114	885.2386
Peru	(Inti)	-			
		5140.5	3270.0381	1674.4299	2282.1309
Philippines	(Peso)	33.30	21.1832	10.8469	14.7835
Pitcairn Is	(£ Sterling)	1.00	0.6361	0.3257	0.4439
	(NZ $)	2.6745	1.7013	0.8711	1.1873
Poland	(Zloty)	1654.32	1052.3664	538.8664	734.4372
Portugal	(Escudo)	256.90	163.4223	83.6807	114.0510
Puerto Rico	(US $)	1.5720	1	0.5120	0.6978
Qatar	(Riyal)	5.7072	3.6305	1.8590	2.5337
Reunion Is. de la	(F Fr)	10.3525	6.5855	3.3721	4.5960
Romania	(Leu)	14.781	9.4020	4.8143	6.5615
Rwanda	(Fr)	129.82	82.5826	42.2866	57.6337
St Christopher	(E Carr $)	4.23279	2.6925	1.3787	1.8791
St Helena	(£)	1.00	0.6361	0.3257	0.4439
St Lucia	(E Carr $)	4.23279	2.6925	1.3787	1.8791
St Pierre	(French Fr)	10.3525	6.5855	3.3721	4.5960
St Vincent	(E Carr $)	4.23279	2.6925	1.3787	1.8791
San Marino	(Italian Lira)	2205	1402.6717	718.2410	978.9123
Sao Tome	(Dobra)	169.521	107.8377	55.2185	75.2590
Saudi Arabia	(Riyal)	5.8770	3.7385	1.9143	2.6091
Senegal	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Seychelles	(Rupee)	9.04	5.7506	2.9446	4.0133
Sierra Leone	(Leone)	98.30	62.5318	32.0195	43.6403
Singapore	($)	3.09575	1.9692	1.0083	1.3743
Solomon Is	($)	3.7393	2.3786	1.2180	1.6600
Somali Rep	(Shilling)	642.757	408.8784	209.3671	285.3527
South Africa	(Rand)	4.3445c	2.7636	1.4151	1.9287
		7.009g	4.4586	2.2830	3.1116
Spain	(Peseta)	191.95	122.1055	62.5244	85.2164
Spanish Ports in N Africa	(Sp Peseta)	191.95	122.1055	62.5244	85.2164
Sri Lanka	(Rupee)	57.40	36.5139	18.6970	25.4827
Sudan Rep	(£)	7.05465	4.4876	2.2979	3.1318
Surinam	(Guilder)	2.79834	1.7800	0.9114	1.2423
Swaziland	(Lilangeni)	4.3445	2.7636	1.4151	1.9287
Sweden	(Krona)	10.40	6.6157	3.3876	4.6170
Switzerland	(Fr)	2.6475	1.6841	0.8623	1.1753
Syria	(£)	32.9217	20.9425	10.7236	14.6156
Taiwan	($)	40.25	25.6043	13.1107	17.8690
Tanzania	(Shilling)	224.50	142.8117	73.1270	99.6670
Thailand	(Baht)	40.50	25.7633	13.1921	17.9800
Togo Rep	(CFA Fr)	517.625	329.2779	168.6074	229.8002
Tonga Is	(Pa Anga)	2.06975	1.3166	0.6741	0.9188
Trinidad/Tobago	($)	6.6627	4.2383	2.1702	2.9579
Tunisia	(Dinar)	1.5091	0.9599	0.4915	0.6699
Turkey	(Lira)	3467.72	2205.9287	1129.5504	1539.4983
Turks & Caicos	(US $)	1.5720	1	0.5120	0.6978
Tuvalu	(Australian $)	2.06975	1.3166	0.6741	0.9188
Uganda	(New Shilling)	316.373	201.2550	103.0530	140.4541
U A E	(Dirham)	5.75475	3.6607	1.8744	2.5548
United Kingdom	(£)	1.00	0.6361	0.3257	0.4439
United States	(US $)	1.5720	1	0.5120	0.6978
Uruguay	(Peso)	1022.9	650.6997	333.1921	454.1176
USSR	(Rouble)	1.0153	0.6458	0.3307	0.4507
Vanuatu	(Vatu)	186.5	118.6386	60.7491	82.7968
Vatican	(Lira)	2205	1402.6717	718.2410	978.9123
Venezuela	(Bolivar)	60.227	38.3123	19.6179	26.7378
Vietnam	(Dong)	7054.65	4487.6908	2297.9315	3131.9200
Virgin Is-British	(US $)	1.5720	1	0.5120	0.6978
Virgin Is-US	(US $)	1.5720	1	0.5120	0.6978
Western Samoa	(Tala)	3.5962	2.2876	1.1714	1.5965
Yemen	(Rial)	15.46	9.8346	5.0358	6.8634
Yemen PDR	(Dinar)	0.53772	0.3420	0.1751	0.2387
Yugoslavia	(Dinar)	42456.56	27007.9898	13829.4983	18848.6392
Zaire Rep	(Zaire)	652.68	415.1908	212.5993	289.7580
Zambia	(Kwacha)	24.50	15.5852	7.9804	10.8768
Zimbabwe	($)	3.47	2.2073	1.1302	1.5405

Special Drawing Rights August 24 1989 United Kingdom £1.25470 United States $1.24747 Germany West D Mark 2.44841 Japan Yen179.012 European Currency Unit Rates August 25 1989 United Kingdom £1.48171 United States $1.05925 Germany West D Mark 2.07719 Japan Yen152.056

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Friday, August 25, 1989

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	56.24	56.84	60.47	4.43	[illegible]
Gilts & Fixed Int	6	113.20	113.20	120.10	8.33	[illegible]
High Inc Equity	6	141.40	144.2	153.5	4.14	[illegible]
Worldwide Bond	6	203.1	203.1	215.2	4.93	[illegible]

[illegible]

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Midland Personal Pension Unit Trust						
British	6	63.36	64.57	68.69	[illegible]	[illegible]
European Growth	6	64.04	64.14	68.23	[illegible]	[illegible]
Gilt & Fixed	6	51.47	51.47	54.7	[illegible]	[illegible]
Japan Growth	6	58.74	59.10	62.87	0.00	[illegible]
Managed	6	59.20	60.00	63.83	1.75	[illegible]
Money Market	6	53.88	53.98	57.12	9.86	[illegible]
North American	6	62.29	63.39	67.44	0.22	[illegible]
Midland FSAVCS Unit Trust						
British	6	60.25	60.88	64.77	[illegible]	–
European Growth	6	62.44	62.53	66.52	0.54	–
Gilt & Fixed Int	6	50.63	50.63	53.81	9.11	[illegible]
Income	6	59.94	60.81	64.69	3.30	–
Japan Growth	6	61.02	61.37	65.29	0.00	–
Managed	6	58.28	59.07	62.84	1.74	–
Money Market	6	51.90	51.90	55.02	[illegible]	–
North American	6	62.70	63.74	67.81	0.22	–

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Emerging Asia Inc	5	91.64	91.64	98.19	0.00	[illegible]
Emerging Asia Acc	5	91.64	91.64	98.19	0.00	[illegible]
UK Money Mkt Inc	5	50.00	50.00	50.00	13.00	–
UK Money Mkt Acc	5	50.00	50.00	50.00	13.00	–
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	126.7	128.2	136.3	2.53	41169
PM Income & Gth	5	106.0	106.9	113.7	[illegible]	41170
PM Nth Amer Gth	5	61.90	61.90	65.85	1.14	41171
PM European Gth	5	61.41	61.58	65.49	2.68	41172
PM Japan Gth	5	82.31	82.43	87.69	0.28	41173
PM Overseas Gth	5	57.47	57.47	61.13	0.43	41174

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Growth & Equity	5	64.34	67.50	71.80	6.62	41599
European	5	75.74	75.98	80.82	0.09	46303
Far Eastern	5	64.82	66.41	70.65	0.62	46808
Growth Inc	5	89.20	92.60	98.50	1.39	41600
Growth Acc	5	89.20	92.60	98.50	1.39	–
Income Inc	5	84.86	87.34xd	92.91	4.57	41601
Income Acc	5	84.46	87.44xd	93.01	4.57	–
Property Share	5	56.04	56.04	59.73	0.99	41602
Smaller Co's	5	59.26	59.83	63.82	1.51	41603
Nth American	5	69.71	69.71	74.55	1.37	41209
International	5	50.47	50.47	53.98	1.38	41210
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY						01-588 0592
Intl Growth	5	114.39	114.39	119.99	3.93	41604
UK Growth	5	46.00	95.00	100.0	5.00	–
UK Income	5	95.00	95.00	100.0	4.50	–
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	65.30	67.69	72.01	2.53	41605
YUTM UK Eqty Inc Tst	5¼	62.74	64.98	69.13	3.72	41606
YUTM Intl Equ Tst	5¼	54.29	54.29	57.95	0.76	41195

OTHER UK UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Baillie Gifford & Co Ltd						
Int'l Expt June 7			485.3	503.8	–	40105
Cent. Bd. of Fin. of Church of England‡‡						
2 Fore Street, London EC2Y 5AQ						01-588 1815
Inv Fund July 31			338.95		4.55	40251
Fxd Int Sec July 31			142.05		10.07	40252
Deposit July 31			100.00		13.25	40253
Charinco/Charishare‡‡ (1000)F						
31 King William Street, EC4R 9AS						01-280 2800
C'inco Inc Aug 23			169.6	173.9	10.30	40254
C'inco Acc Aug 23			695.9	713.5	10.30	40255
C'share Inc Aug 23			163.4	169.7	4.01	40256

	Bid Price	Offer Price	Yield Gross	City-line
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	135.4	142.4	–	–
UK Metro	125.1	131.7	–	46538
U Am Fe Fd Acc(z)	275.4	289.0	–	41713
Pac Basin Fd Acc(z)	195.4	205.6	–	41714
Property(z)	601.0	632.6	–	41715
Multi Inv Pens Acc(z)	1554.1	1635.9	–	41717
Broker Funds				
Prof. Pen. Fd	102.4	107.7	–	41718
YRA Strategy	126.6	133.1	–	41719
YRA Performance	108.6	114.3	–	–
Laughton Dollar (SE)	144.3	151.9	–	41720
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Fixed Int. Dep. Acc	264.9	278.9	–	41723
Equity Acc	915.6	963.8	–	41724
Property Acc	508.9	535.7	–	41725
Far East Acc	216.4	227.8	–	41726
European Acc	24.7	26.1	–	41727
Managed Acc	715.8	753.5	–	41728
Managed Cap	405.0	426.4	–	41729
O'seas Earnings Acc	611.2	643.4	–	41730
Gilt Edged Acc	321.8	338.8	–	41731
American Equity Acc	497.7	523.9	–	41732
American Man Acc	229.5	241.6	–	41733
American Prop Acc	151.5	159.5	–	41734
Pen.F.I. Dep Cap	292.5	307.9	–	41735
Pen.F.I. Dep Acc	504.5	531.1	–	41736
Pen. Prop. Cap	596.0	627.4	–	41737
Pen. Prop. Acc	1136.3	1195.9	–	41738
Pen. Man. Cap	888.2	935.0	–	41739
Pen. Man. Acc	1691.3	1780.4	–	41740
Pen Gilt Edg. Cap	321.1	338.0	–	41741
Pen. Gilt Edg. Acc	500.1	526.5	–	41742
Pen. Eq. Cap	1476.2	1553.9	–	41743
Pen. Eq. Acc	2130.4	2242.6	–	41744
Pen. Am. Eq Cap	168.5	177.4	–	41745
Pen. Am. Eq Acc	204.9	215.7	–	41746
Pen. Far East Cap	258.6	272.2	–	41747
Pen. Far East Acc	314.7	331.3	–	41748
Pen. Euro Cap	29.5	31.1	–	41749
Pen. Euro. Acc	32.3	34.1	–	41750
Pen. B.S. Acc	554.5	582.1	–	41751

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	133.0	140 0	–	43285
Building Soc. Fd	173 0	183 0	–	43286
Balanced	294.0	310 0	–	43287
European	191.0	202.0	–	43289
GT Managed	189.0	199 0	–	43290
Gartmore Mngd.	128 0	135 8	–	43291
German	136.0	144 0	–	43292
Gilt	183 0	193.0	–	43293
Global	50 0	53 0	–	–
High Inc.	120.0	127.8	–	43294
International Equity	206.0	217.0	–	43295
Japan	264.0	278 0	–	43296
Managed	64 0	68 0	–	43297
Property	292.0	308.0	–	43298
R W Imperial Gold	152.0	160 0	–	43299
UK Equity	371.0	391.0	–	43300
Pension Funds				
American	155.0	164.0	–	43301
Building Soc. Fd.	175 0	185 0	–	43302
Balanced	227 0	239 0	–	43303
European	189 0	199.0	–	43305
German	118 0	125 0	–	43308
Gilt	158 0	167.0	–	43309
International Equity	149 0	157.0	–	43310
Japan	146 0	154.0	–	43311
Managed	68 0	72 0	–	43312
Property	224 0	236 0	–	43313
UK Equity	338.0	356.0	–	43314

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	Yield Gross	City-line
Pensions Managed Fund	97.33	102.88	–	42263
Pensions Cash Fund	79.20	83.37	–	42264

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Gwth Mngd	625.4	659.1	–	43315
Adventurous Mngd	136 2	143.6	–	46402
Secure Mngd	113.0	119 1	–	46403
Cash Fd	236.9	249.6	–	43316
Property Fund	292.6	311.3	–	43317
Equity Fund	710 5	748 7	–	43318
Fxd Int. Fund	304 0	320.4	–	43319
International	321.1	341 7	–	43320
High Income	484 6	515 6	–	43321
Far East	408.8	434.9	–	43322
North American	103 0	319.3	–	43323
Special Sits.	662.3	704.6	–	43324
Technology	259 5	276 1	–	43325
Extra Inc Fd	295 4	314.3	–	43326
Convertible & Gilt Fd.	159.6	169 8	–	43327
American Income	141.3	149.2	–	d3328
Gilt Fund 20	306 9	326.5	–	43329
European Fund	110.3	116.3	–	43330
Pref & Fixed Int.	100.0	107.3	–	46332
Pension Funds				
Balncd Gw Mnd Pens Acc.	601.4	633 1	–	43331
Adventurous Mngd Pens Acc.	132.2	139.2	–	46404
Secure Mngd Pens Acc.	112 1	118.1	–	46405
Building Soc. Acc.	247.5	260.6	–	43332
Property Pens. Acc.	299.3	315.1	–	43333
Fix Int. Pens. Acc.	427.6	450.2	–	43334
Equity Pens Acc.	798 1	840 2	–	43335
International Pens Acc.	299 0	314 8	–	43336
High Inc Pens Acc	524 9	552 6	–	43337
Tech Pens Acc.	169.8	178 8	–	43338
N American Pens Acc.	205 8	216 7	–	43339
Far Eastern Pens Acc.	431.2	453 9	–	43340
Special Sits Pens Acc.	550.5	579 5	–	43341
Extra Income Pens Fd.	356.6	375.4	–	43342
Convertible & Gilt Pen.	177.7	187.1	–	43343
American Inc Pens.	155.3	163 7	–	43344
European Pens	116.2	122.4	–	43345
Managed Cash Pens.	113.3	119 3	–	46753
Pref & Fixed Pens.	104.5	110.0	–	46333
Other Funds				

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	Yield Gross	City-line
Managed	600.2	631.8	–	43524
Equity	873.9	919.9	–	43525
Global Equity	261.2	275.0	–	43526
Fixed Interest	416.8	438 8	–	d3527
Property	401.7	422.9	–	43528
Cash	160 0	168.5	–	43529
Index Linked Gilt	205.9	216.8	–	43530
Guaranteed	12.50		–	43531
International Money	206.2	217.1	–	43532
North American	85.0	89.5	–	43533
Japanese	151.3	159.3	–	43534
European	104.5	110.1	–	43535
Special Situations	124.8	131.4	–	43536
Communications	112.2	118.2	–	43537
Smaller Companies	116.3	122.5	–	43538
International Small Cos.	144.5	152.2	–	46559

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Discretionary Aug 23	£166.30	172.12	–	43539
Equity Aug 23	£184 09	191.08	–	43540
International Aug 23	£28.00	28 92	–	43541
Intl Bond Aug 23	£12.73	12.91	–	43542
Fixed Int Aug 23	£74.56	75.56	–	43543
Index Linked Aug 23	£63.94	64 78	–	43544
Property Aug 23	£113.88	120.56	–	43545
Cash Aug 23	£21.4097	21.4097	–	43546
Pru-Linked Retirement Plan				
Managed Aug 22	403.5	420.4	–	43547
Cash Aug 22	201.0	209 4	–	43548
Prudential Pensions Investment Account				
Pens Mngd Aug 25	162.9	175.1	–	43549
Pens UK Eq Aug 25	317.3	342.8	–	43550
Pens Intl Aug 25	195.2	210.0	–	43551
Pens Fixed Aug 25	171.0	181.4	–	43552
Pens Index Lk Aug 25	162.9	172.1	–	43553
Pens Cash Aug 25	131.2	138.2	–	43554

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	Yield Gross	City-line
Aggressive Ptflio Fd	125.3	131.8	–	43555
Balanced Ptflio Fd	328.4	345.6	–	43556
Cautious Ptflio Fd.	124.6	131.1	–	43557
Elite Fund	119.6	125.8	–	43558
European Fund	93.2	98.1	–	43559
Far East Fund	110.3	116.1	–	43560
Fixed Interest Fund	245.2	258 0	–	43561
International Fund	292.2	307.3	–	43562
Money Fund	179.1	188.3	–	43563
N. American Fd	127.8	134.5	–	43564
Property Fund	423 7	445.9	–	43565
UK Equity Fd	404.8	426.1	–	43566
4 L.M. Brewin Dlphio Fd.	98.9	104.1	–	43567
Swim Select Invs.	116.5	122.6	–	43568
Chart Safety First Bd.	110.3	116.1	–	43569
Exec Master Fd	101.0	107.2	–	43571
Hardwick Growth Fd.	111.0	116.8	–	43572
Bentley Haig LR Port.	108.3	114.0	–	43573
Milbourne Spec Port.	121.8	128.3	–	43574
Swim Global Fd.	118.9	125.2	–	46120
Hardwick Tst Fd.	72.5	76.3	–	–

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	Yield Gross	City-line
Deposit Acc Fd.	125.9	132.5	–	43575
Equity Acc Fd	335 8	353.3	–	43576
Managed Acc Fd.	296.5	312.1	–	43577
Prop Fd (1st Issue)	–	369.2	–	43578
Prop Acc Fd (2nd Iss)	179.3	188.7	–	43579
Unit Trust Ma. Fd.	124.9	131.3	–	43580
RL Pension Funds				
Deposit Acc.	165.1	173.8	–	43581
Equity Acc.	255 0	268.5	–	43582
Fixed Int Acc.	163.3	172.1	–	43583
Gilt Indx Lnk Acc.	142.9	150.4	–	43584
Managed Acc.	295.8	311.4	–	43585

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,[illegible]	[illegible] 11pc 1989	99[illegible]	13.[illegible]	23.8	29 Mar 29 Sep	1256
601	Treas 5pc 1986–89	99[illegible]	10.[illegible]	9.3	15 Apr 15 Oct	1329
17[illegible]	[illegible] 10¼pcCv '89	99[illegible]	13.[illegible]	10.4	15 May 15 Nov	1255
1,[illegible]	Treas 13pc 1990‡‡	100[illegible]	11.[illegible]	8.6	15 Jul 15 Jan	1300
[illegible]	[illegible] 2pc IL '90(84.6)	132¼	[illegible]	19.6	25 Jul 25 Jan	1311
[illegible]	[illegible] 11pc 1990‡‡	99[illegible]	[illegible]	12.7	12 Aug 12 Feb	1257
[illegible]	[illegible] 12½pc 1990	99[illegible]	12.[illegible]	16.8	22 Sep 22 Mar	1262
[illegible]	Treas. 3pc 1990	95¾	9.[illegible]	3.4	8 Nov 8 May	1325
[illegible]	Treas 8¼pc 1987–90‡‡	97⅝	11.[illegible]	9.5	15 Dec 15 Jun	1340
[illegible]	Treas. 8pc Cv 1990 ‡‡	97[illegible]	11.[illegible]	9.6	16 Jul 16 Jan	4680
[illegible]	Treas. 10pcCv 1990	97[illegible]	12.[illegible]	20.3	25 Apr 25 Oct	1285
[illegible]	Exch 2½pc 1990	93[illegible]	8.[illegible]	17.4	22 May 22 Nov	1270
2,[illegible]	Treas 11¾pc 1991	100[illegible]	11.[illegible]	27.6	10 Jul 10 Jan	1292
[illegible]	Funding 5¾pc '87–91‡‡	93[illegible]	10.[illegible]	1.3	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	90[illegible]	9.05	6.4	13 Nov 15 May	1326
646	Treas 10pc Cv '91 ‡‡	97¾	11.41	27.6	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	99½	11.24	20.3	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	93[illegible]	11.17	4.5	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	103[illegible]	10.79	15.6	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	98[illegible]	10.89	17.7	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992 ‡‡	93[illegible]	10.92	7.3	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	99[illegible]	10.80	31.3	7 Nov 7 May	1289
500	Treas. 3pc 1992	85[illegible]	9.02	5.5	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	103[illegible]	10.81	19.7	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	107[illegible]	10.73	16.8	22 Mar 22 Sep	1266
950	Treas 8¼pc 1993	93¼	10.60	12.7	18 Aug 18 Feb	–
1,850	Treas 10pc 1993‡‡	98⅝	10.45	9.3	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	106[illegible]	10.48	27.6	14 Jan 14 Jul	1296
[illegible]	Funding 6pc 1993‡‡	87⅝	9.[illegible]	9.8	15 Mar 15 Sep	1276
1,[illegible]	Treas 13¾pc 1993‡‡	111[illegible]	10.[illegible]	17.4	23 May 23 Nov	1304
1,[illegible]	Treas. 8½pc 1994	93[illegible]	10.[illegible]	27.6	3 Aug 3 Feb	–
[illegible]	[illegible] 14½pc 1994‡‡	115	10.[illegible]	26.7	1 Sep 1 Mar	1307
1,[illegible]	[illegible] 13½pc 1994	111	10.[illegible]	21.3	27 Oct 27 Apr	1267
[illegible]	[illegible] 10pc Ln. 1994‡‡	98[illegible]	10.[illegible]	3.5	9 Dec 9 Jun	1284
[illegible]	[illegible] 12½pc 1994	107[illegible]	[illegible]	17.7	22 Feb 22 Aug	1263

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,600	Treas 9pc 1994‡‡	95	10.25	10.4	17 May 17 Nov	1345
2,350	Treas 12pc 1995	106[illegible]	10.40	19.6	25 Jul 25 Jan	1293
229	Exch 3pc Gas 90–95	76½	8.07	28.3	1 Nov 1 May	1271
2,100	Exch. 10¼pc 1995	99[illegible]	10.30	14.6	21 Jan 21 Jul	1254
1,000	Treas 12¾pc 1995‡‡	111[illegible]	10.22	10.4	15 May 15 Nov	1298
900	Treas. 14pc '96	116⅝	10.36	15.6	22 Jul 22 Jan	1305
750	Treas. 9pc 1992–96‡‡	95[illegible]	9.98	9.8	15 Sep 15 Mar	1344
1,350	Treas 15¼pc 1996‡‡	123[illegible]	10.29	28.3	3 Nov 3 May	1309
200	Exch 13¼pc 1996‡‡	114[illegible]	10.23	10.4	15 Nov 15 May	1268
1,109	Conversion 10pc 1996	99¼	10.14	10.4	15 May 15 Nov	1240
1,500	Treas 13¼pc 1997‡‡	115[illegible]	10.21	15.6	22 Jul 22 Jan	1302
3,100	Exch 10½pc 1997	101¾	10.14	17.7	21 Aug 21 Feb	1253
3,750	Treas 8¾pc 1997‡‡	93[illegible]	9.95	24.8	1 Mar 1 Sep	1341
1,000	Exch 15pc 1997	125[illegible]	10.34	21.3	27 Apr 27 Oct	1269
2,850	Exch. 9¾pc 1998	98[illegible]	10.03	12.6	19 Jul 19 Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	83[illegible]	9.66	28.3	1 Nov 1 May	1331
1,100	Treas. 15½pc '98‡‡	130[illegible]	10.21	24.8	30 Mar 30 Sep	1308
2,500	Exch. 12pc 1998	110[illegible]	10.15	13.4	20 May 20 Nov	1259
1,250	Treas 9½pc 1999‡‡	98[illegible]	9.78	8.6	15 Jul 15 Jan	1347
2,900	Exch. 12¼pc 1999	112[illegible]	10.13	21.8	26 Sep 26 Mar	1264
1,252	Treas. 10½pc 1999	102[illegible]	10.02	12.4	19 Nov 19 May	1268
1,548	Conversion 10¼pc 1999	101[illegible]	10.00	17.4	22 May 22 Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	91[illegible]	9.76	21.6	28 Jan 28 Jul	1338
1,554	Conversion 9pc 2000‡‡	94[illegible]	9.78	28.7	3 Sep 3 Mar	1244
1,817	Treas. 13pc 2000	118[illegible]	10.15	27.6	14 Jan 14 Jul	1299
1,050	Treas 10pc 2001	100[illegible]	9.88	20.7	26 Aug 26 Feb	1280
1,250	Treas. 14pc '98–01	120[illegible]	10.31	17.4	22 Nov 22 May	1306
802	Conversion 9¾pc 2001	99[illegible]	9.84	4.7	10 Feb 10 Aug	1248
1,600	Exch. 12pc '99–02	110[illegible]	10.18	15.6	22 Jul 22 Jan	1261
716	Conversion 10pc 2002	101[illegible]	9.78	6.3	11 Oct 11 Apr	1241
1,450	Treas 9¾pc 2002	99[illegible]	9.75	21.7	27 Feb 27 Aug	1349
1,300	Exch. 9pc 2002	94[illegible]	9.68	12.4	19 May 19 Nov	1272
1,800	Treas. 13¾pc 2000–03	123	10.20	19.6	25 Jan 25 Jul	1303
1,000	Treas 10pc 2003	102[illegible]	9.65	2.8	8 Mar 8 Sep	1281
1,900	Treas. 11½pc 2001–04	110[illegible]	10.01	14.8	19 Sep 19 Mar	1290
900	Treas. 10pc 2004	103[illegible]	9.60	11.4	18 Nov 18 May	1282
443	Funding 3½pc '99–04	58¼	8.54	29.6	14 Jan 14 Jul	1274

BRITISH FUNDS—Contd

Over Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,362	Conversion 9½pc 2004	99[illegible]	9.53	20.3	25 Apr 25 Oct	1246
1,881	Conversion 9½pc 2005	99[illegible]	9.51	13.3	18 Oct 18 Apr	1247
1,050	Exch. 10½pc 2005	108[illegible]	9.49	14.8	20 Mar 20 Sep	1251
2,200	Treas. 12½pc 2003–05	121½	9.67	14.4	21 May 21 Nov	1295
1,800	Treas. 8pc 2002–06‡‡	88	9.43	1.3	5 Apr 5 Oct	1334
703	Conversion 9¾pc 2006	102[illegible]	9.43	10.4	15 May 15 Nov	1249
3,150	Treas. 11¾pc 2003–07	115[illegible]	9.67	15.6	22 Jul 22 Jan	1293
1,446	Treas 8½pc 2007 ‡‡	93[illegible]	9.27	9.6	16 Jan 16 Jul	1339
1,250	Treas. 13½pc '04–08	130[illegible]	9.60	21.8	26 Sep 26 Mar	1301
1,800	Treas. 9pc 2008 ‡‡	98	9.22	7.3	13 Apr 13 Oct	1343
1,000	Treas 8pc 2009	89[illegible]	9.17	21.8	25 Mar 25 Sep	1336
369	Conv 9pc Ln 2011 ‡‡	98[illegible]	9.12	29.6	12 Jan 12 Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	66[illegible]	8.98	4.8	10 Mar 10 Sep	1330
700	Treas. 7¾pc 2012–15‡‡	86[illegible]	9.11	19.6	26 Jul 26 Jan	1332
1,000	Exch. 12pc '13–'17	127[illegible]	9.15	8.5	12 Jun 12 Dec	[illegible]

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	43⅛	–	26.6	1 Feb 1 Aug	1239
1,909	War Loan 3½pc‡‡	38[illegible]	–	25.4	1 Jun 1 Dec	1352
140	Conv. 3½pc '61 Aft.	65[illegible]	–	25.8	1 Apr 1 Oct	1243
56	Treas. 3pc '66 Aft.	34[illegible]	–	1.3	5 Apr 5 Oct	1324
276	Consols 2½pc	27¾	–	1.6	5 Ja Ap Jul O	1238
475	Treas. 2½pc	27[illegible]	–	25.8	1 Apr 1 Oct	1315

Index-Linked

Amount £m	Stock	Price £	(b)	–	Interest Due	City-line
650	Tr. 2pc '92‡‡(97.8)	112[illegible]	2.75	17.8	23 Mar 23 Sep	1312
400	Do. 2 '94 (102.9)	105[illegible]	2.85	10.4	16 Nov 16 May	–
1,000	Do. 2pc '96(67.9)	154[illegible]	3.06	10.8	16 Mar 16 Sep	1313
900	Do 2½pc '01(78.3)	130[illegible]	3.41	18.8	24 Mar 24 Sep	1316
800	Do. 2½pc '03(78.8)	127⅝	3.47	15.4	20 Nov 20 May	1317
1,200	Do. 2pc '06(69.5)	131[illegible]	3.49	12.6	19 Jan 19 Jul	1314
950	Do. 2½pc '09(78.8)	122[illegible]	3.49	13.4	20 Nov 20 May	1318
1,350	Do. 2½pc '11(74.6)	127[illegible]	3.49	17.7	23 Feb 23 Aug	1319
1,100	Do. 2½pc '13(89.2)	106[illegible]	3.46	10.7	16 Feb 16 Aug	1320
1,700	Do. 2½pc '16(81.6)	115[illegible]	3.43	19.6	26 Jan 26 Jul	1321
1,400	Do. 2½pc '20(83.0)	112[illegible]	3.38	10.3	16 Oct 16 Apr	1322
900	Do. 2½pc '24‡‡(97.7)	95[illegible]	3.33	12.6	17 Jan 17 Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1988:110.3 and for July 1989:115.5

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	105[illegible]	10.41	1.12	4 Jan 4 Jul	–
100	Asian Dev Bk 10⅛pcLn2009	101[illegible]	10.04	28.3	24 Mar 24 Sep	–
100	Australia 13½pc 2010	125[illegible]	10.42	23.12	28 Jan 28 Jul	–
100	Do. 11¾pcLn2015	109	10.36	22.3	26 Apr 26 Oct	–
75	Euro Inv Bk 11pc Ln 2002	105[illegible]	10.27	23.2	23 Mar 23 Sep	–
100	Do. 10¾pc2004	101[illegible]	10.23	24.10	Apr Non	–
75	Int-Am Dev Bk 12¼pc2003	114[illegible]	10.43	7.12	8 Jan 8 Jul	–
175	Do. 9¾pcLn 2015	96[illegible]	10.11	13.10	15 May 15 Nov	–
75	Malysia 10¾pcLn 2009	95[illegible]	11.39	23.12	31 Jan 31 Jul	–
50	Utd. Mexican States 16½pc 2008	115	14.20	24.1	1 Mar 1 Sep	–

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
32	Birmingham 13½pc 1989	99½	11.20	20.4	20 May 20 Nov	1538
45	Do. 11½pc 2012	107½	10.60	14.4	15 May 15 Nov	1837
40	GLC 6¾pc 1990–92	89[illegible]	11.70	17.7	15 Feb 15 Aug	2647
40	Leeds 13½pc 2006	121½	10.72	10.3	1 Apr 1 Oct	3146
5	Liverpool 3½pc Irred.	30	–	14.7	1 Ja Ap Ju Oc	3169
25	LCC 6¾pc '88–90	95½	10.90	14.7	10 Jan 10 Jul	3198
26	Do. 3pc '20 Aft.	28	–	1.8	1 Mar Ju S D	3197
7	Manchester 11½pc 2007	107½	10.60	31.3	25 Apr 25 Oct	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	89	11.70	1.12	1 Jan 1 Jul	–
–	S Rhod 2½pc Non-Asstd.	206	–	–	1 Apr 1 Oct	–
4	Do. 4½pc 87–92 Assd.	84½	9.33	14.7	7 Feb 7 Aug	–

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	N'wide Anglia 11[illegible] 23 6.89	99[illegible]	14.4[illegible]	–	2 Feb 29 Aug	–
20	Do. 12¼pc 18.9.89	99[illegible]	13.9[illegible]	21.8	12 Mar 18 Sep	–
20	Do. 12[illegible]pc 2.10.89	99[illegible]	14.15	27.2	20 Mar 20 Oct	–
20	Do. 11[illegible]pc 6.11.89	99[illegible]	14.07	31.3	30 Apr 6 Nov	–
20	Do. 12[illegible]pc 4.12.89	99[illegible]	13.94	28.4	28 May 4 Dec	–
20	Do. 12[illegible]pc 2.1.90	99[illegible]	13.9[illegible]	30.5	2 Jan 28 Jun	–
20	Do. 12[illegible]pc 29.1.90	99[illegible]	13.9[illegible]	23.6	29 Jan 23 Jly	–
–	Do. 12[illegible]pc 26.2.90	99[illegible]	13.95	21.7	26 Feb 30 Aug	–
–	Do. 12[illegible]pc 19.3.90	99[illegible]	13.90	–	19 Mar 13 Sep	–
20	Do. 13⅛pc 23.4.90	99[illegible]	13.63	–	23 Apr 17 Oct	–
20	Do. 13pc 14.5.90	99[illegible]	13.77	–	14 May 8 Nov	–
–	Do. 13[illegible]pc 4/6/90	99[illegible]	13.74	–	4 Jun 30 Nov	–
–	Do. 14[illegible]pc 2.7.90	100[illegible]	13.62	–	2 Jly 26 Dec	–
–	Do. 13⅝pc 23.7.90	99[illegible]	13.[illegible]	–	–	–
60	Do. 3[illegible]pcIL Ln 2021	105[illegible]	[illegible]	22.6	20 Jan 31 Jul	346[illegible]

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
25	Met. Wtr. 3pc 'B'	46	10.[illegible]	1.8	1 Mar 1 Sep	33[illegible]

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	49	3.50	8.75	1.11	1 May 1 Nov	27[illegible]
4	Do 6pc 28 Stb. Ass	40	3	7.50	1.2	1 Feb 1 Aug	27[illegible]
–	Do 4pc Mixed Ass.	40	2	5.00	3.4	1 Apr 1 Oct	27[illegible]
1	Hung. 24 Ass	60	2.75	3.57	3.5	1 May	29[illegible]
40	Hydro Quebec 15pc 2011	135[illegible]	15.00	10.7[illegible]	27.10	31 May 30 Nov	–
30	Iceland 14½pc Ln 2016	125[illegible]	14.50	11.3[illegible]	29.12	31 Jan 31 Jul	–
30	Ireland 9¾pc '91–96	93	9.75	11.3[illegible]	21.8	1 Mar 1 Sep	300[illegible]

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
9,2[illegible]	Abbott Laboratories‡	40[illegible]	$1.40	2.3	11.7	Fb My Ag Nv	150[illegible]
240.1	♦Allegheny & W 1c.	462p	50c	4.1	–	–	–
2,308.0	Amax $1	18[illegible]	80c	2.7	7.8	Mr Jn Se De	158[illegible]
417.5	♦mbase Corp $1.	10[illegible]	20c	1.2	24.3	Ja Ap Jl Oc	291[illegible]
997.5	Amdahl 5c.	950p	10c	0.7	31.1	Nv Mr Jn Ag	–
3,403.2	Amer. Cyanamid $5	37	$1.35	2.3	21.2	Mr Je Se De	–
1,577.4	Amer. Express 60c.	23[illegible]	84c	2.2	3.7	Fb My Ag Nv	159[illegible]
1,321.0	Amer. Medical Int. $1	16[illegible]	67c	2.8	9.1	Fb My Au Nv	–
27,612.5	American T & T $1.	25[illegible]	$1.20	2.9	27.5	Fb My Ag Nv	159[illegible]
15,966.8	Ameritech $1	39[illegible]	$2.92	4.6	29.3	Fb My Ag Nv	–
–	♦Asiamerica Equity‡	55p	–	–	–	–	–
3,6[illegible]	BankAmerica $1[illegible]	20[illegible]	60c	1.9	17.5	Fe My Au No	174[illegible]
2,693.6	Bankers N Y $1	34[illegible]	$2.08	3.9	31.3	Ap Jy Oc Jan	174[illegible]
12,479.9	Bell Atlantic $1	63	$4.08	4.1	27.6	Fe My Au No	–
15,761.6	BellSouth Corp.	32¼	$2.52	4.9	6.7	Fe My Au No	–
1,022.2	♦Bethlehem Steel $8	13[illegible]	–	–	6.2	Mar Jun S O	182[illegible]
–	♦Bio-Rad Labs. A	10	–	–	–	–	–
697.7	Bowater Inc.	19	$1.12	3.7	6.6	Oc Ja Ap Jy	188[illegible]
961.0	Brunswick 75c	11[illegible]	44c	2.5	20.7	F My Au N	19[illegible]
3,135.4	CPC Intal. 25c	41[illegible]	$1.60	2.4	25.9	Jan Ap Jly O	224[illegible]
120.2	California Engy	660p	–	–	–	–	–
4,436.3	Campbell Soup 15c	34[illegible]	92c	1.7	3.7	Oc Ja Ap Jy	–
2,056.0	Chase Manhattan $12[illegible]	25[illegible]	$2.3[illegible]	5.9	27.7	Fb My Ag Nv	210[illegible]
3,706.4	Chem. Banking Corpn	24[illegible]	$2.72	7.1	12.6	Ap Jy Oc Ja	–
3,598.3	Chrysler $6¼	16[illegible]	$1.20	4.7	14.6	Mar Jun S D	213[illegible]
6,697.8	Citicorp $1	21[illegible]	$1.62	4.9	26.4	My Au N F	214[illegible]
3.6	CityFed Fin. Corp	175p	4c	1.4	29.10	Fb My Ag Nv	–
2,604.9	Colgate-Palmolive $1	37[illegible]	$1.48	2.5	20.7	F My Au N	218[illegible]
1,667.4	Cont'l Bank Corp $4	16[illegible]	80c	3.1	31.5	Dc Mr Jn Se	–
–	♦Corporate Data Sciences	320p	–	–	–	–	–
164.7	Cullinet Sftwr 1c	510p	–	–	–	–	–
1,204.1	Dana Corp $1	26[illegible]	$1.60	3.0	30.5	Mr Jn Se Dc	230[illegible]
279.4	Data General	10[illegible]	–	–	–	–	–
1,383.8	Dun & Bradstreet $1	58[illegible]	$2.00	3.3	13.2	Mr Jn Sp Dc	–
1,811.6	Eaton Corpn 50c	42[illegible]	h$2.00	3.0	3.6	F My Au N	241[illegible]
656.9	Echlin Inc	11[illegible]	70c	4.0	30.6	Ja Ap Jl Oc	–
2,753.0	FPL Group 1c	20[illegible]	$2.28	7.0	23.11	Mr Jn Sep Dec	–

Continued on next page

Henderson Management SA

	Bid Price	Offer Price	Yield Gross	City-line
Henderson Horizon Fund				
Japanese Portfolio	$13.71	14.48	–	45231
Japan Smllr Cos P'flio	$18.38	19.42	–	45232
Pacific Portfolio	$10.94	11.56	–	45233
Nth American P'folio	$5.13	5.43	–	45235
European Portfolio	$7.31	7.73	–	45236
UK Portfolio	$6.54	6.92	–	45237
Global Portfolio	$9.42	9.95	–	–
Fixed Int Portfolio	$9.80	10.29	–	–
Dollar Liquidity P'folio	$0.8253	0.8275	–	45238

Merrill Lynch Int Capital Mngt (GSY) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Iberia Portfolio	$11.47		–	46590

Morgan Stanley Sicav

	Bid Price	Offer Price	Yield Gross	City-line
Money Mkt. Plus Fd Aug 25	$1052.29		–	–
Patrimony Fd Aug 25	$1062.24		–	–

Murray, Johnstone (Inv. Adviser)

	Bid Price	Offer Price	Yield Gross	City-line
American P'folio Aug 23	$27.02	28.80	–	45478
Japan P'folio Aug 21	$243.71	261.06	–	45479
Pacific P'folio Aug 22	$10.76	11.53	–	45460

NICS Europe and Income Fund

The Siam Fund (Cayman) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Siam Fd NAV Aug 23	$10.78		–	45298

Singer & Friedlander Ldn. Agents

	Bid Price	Offer Price	Yield Gross	City-line
Tokyo Tst NAV Aug 2	$19.50		0.9	45795
Smaller Cos Tst June 31	163.5	171.5	2.5	45796

Skandifond

Skandinaviska Enskilda Banken

	Bid Price	Offer Price	Yield Gross	City-line
Equity Int. Acc.	$11.31	11.80	–	45798
Equity Int. Inc.	$10.58	11.11	–	45797
Equity Global	$1.07	1.13	–	–

Garbmore Money Management Ltd—Contd.

Special Fund	13.[illegible]	14.61		–
Dollar	7.75	6.06	8.27	–

Money Market Bank Accounts

AAB–Allied Arab Bank Ltd

[illegible]

Money Market Trust Funds

[illegible]

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AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
17,634.9	Ford Motor $1	33 1/4 xd	$3.00	5.7	28.7	Mar Jun S O	2615
34,099.5	Gen Elect 63c	37 1/2	$1 64	2.8	7 6	Ja Ap Je Oc	2675
–	♥General Host Corp $1	575p	50c	3.3	13.12	–	–
3,333.1	Gillette $1	28 1/4	96c	2.1	27 1	Mar Jun S O	2695
254.1	Gt American Bank Bk $1	775p	60c	4.9	28.10	Ft My Aug De	–
896.0	Greyhound $1 1/2	23 1/4	$1 32	3 6	30 5	Ja Ap Jy Oc	2778
752.6	Hasbro Inc 50c	14 1/4	16c	0 7	1 8	Ja No Au My	–
2,506.4	Honeywell $1 1/2	57 1/2 xd	$2.10	2.3	22 8	Mar Jun S D	2919
2,565.9	Houston Inds. §	21 1/2	$2 96	8.7	10.11	Mr Jn Se De	–
44,344.5	IBM Corpn $1 1/4	73 1/2 xd	$4 84	4.1	5.5	Mar Jun S O	2986
1 17	Image Storage/R Sys Inc	55p	–	–	–	–	2961
1,622.5	Ingersoll-Rand $2	30 1/4 xd	$1.20	2.5	16 5	Mar Jun S O	2979
2,099.4	Lockheed Crpo $1	32xd	$1.80	3.6	15.2	Mar Jun S D	–
369.2	Lone Star Inds $1	22 1/8	$1 90	5.4	12.6	May Se N Mar	3216
824.0	Louisiana Land 15c	26 1/4 xd	$1 00	2.4	26.5	Mar Jun S O	3222
787.6	Lowe's 50c	19 3/4	48c	1.5	11.7	Jan Ap Jly De	–
1,236.4	Manuf Hanover $1	25 1/4	$3.28	8 1	26.6	Jan Ap Jly De	3279
2,317.4	Merrill Lynch $1	21 1/2	$1 00	2.9	31.10	Feb My Au N	3351
607.2	Molex Inc.	2393p	3 2c	–	–	–	3397
4,773.6	Morgan (JP) $2 1/2	26 1/4 xd	$1.66	4.0	21 12	Jan Ap Jly O	3418
25,223.3	Morris (Philip)	101 1/2	$4 50	2.8	–	–	–
10,453.8	NYNEX $1	51	$4.36	5.4	27.6	F May Au N	–
3.79	N'wide Legal Serv. §	28p	–	–	–	–	–
408.5	PHH Corp. §	24 1/2	$1.12	2 9	4.4	Ja Ap Jy Oct	–
–	♥Pacific Agr §	180p	–	–	–	–	–
1,852.4	Pacificorp $3 1/4	26 5/8 xd	$2.76	6.3	16 7	Feb My Ag Nv	–
12,781.7	Pacific Telesis 10c	29 1/2	$1.88	4.0	12'85	Fe My Au No	–
777.0	Pall Corp. 25c	21	48c	1.4	24.1	Fe My Au No	–
2,165.1	Pennzoil 83 1/3c	52 1/4 xd	$3 00	3 6	25.5	Mar Jun S O	3630
3,280.6	Quaker Oats $5	41 1/4	$1.20	1.8	20 6	Jly Oc Jan Apr	3738
770.3	Rep NY Corpn $5	30 1/4 xd	$1 28	2.6	12.6	Jan Apr Jly O	3814
4,355.9	Rockwell Intl $1	14 1/2 xd	78c	3.4	9 8	Mr Jn Se De	3847
83.4	Sears, Roebuck 75c	29p	$2 00	–	–	–	–
10,334.4	Southwestern Bell $1	34 1/2	$2.60	4.8	5 7	Fb My Ag No	–
2,594.9	Sun Co Inc $1	24 1/4 xd	$1.80	4.7	7.8	Mr Jn Se De	4135
1,817.4	TRW Inc 62 1/2c	30 1/2	$1.72	3.5	8.8	Ma Jn Se De	4318
1,203.5	TW Services $5	23 1/4	10c	0 3	11.11	Fe My Au No	–
5,681.8	Tenneco $5	38 1/2	$3 04	5.0	8 8	Mr Jn Sp De	4194
8,363.2	Texaco $6 25	34 1/4 xd	♦$3 00	5 5	3 8	Mr Jn Se De	4200
2,534.9	Texas Instr. $1	25 1/4 xd	72c	1.8	27.6	JAJO	5033
8,515.2	Time Inc. $1	89 1/2	$1 00	0.7	22.2	Mt Jn Se De	4234
645.0	TRINOVA Corp.	18 3/4	68c	2.3	10.8	Mc Je Se De	4309
6,786.4	USX $1	22 1/4 xd	$1.40	4.0	2 5	Mr Jn Se De	4380
227.6	♥Unilab	245p	–	–	–	–	–
4,689.1	Utd Technologies	35 1/2 xd	$1.60	2 8	23.5	Mr Jn Sp De	4381
–	♥Utilitech Inc	149p	–	–	–	–	–
9,217.1	US West §	46	$3 76	5.2	14.4	Fb My Ag No	–
8,683.6	Waste Management $1	38 1/2 xd	48c	0 8	16.6	Ap Jly Oc Jan	4439
1,362.6	Whirlpool $1	19 5/8	$1.10	3.5	28 2	Mr Jn Se De	–
2,452.3	Whitman Corp	21 3/8	$1.02	3.0	6.6	Ap Jy De Ja	2951
2,799.5	♥Woolworth $3 1/2	42 5/8	$1.88	2 8	26.1	Mr Jn Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♥ABM Gold Corp §	161p	–	–	–	–	–
–	♥Abbott Energy Corp.	25p	–	–	–	–	–
950.4	♥Amer. Barrick Res.	16 1/2	–	–	–	–	–
–	♥Armeno	16p	–	–	–	–	–
For Asiamerica see Asiamerica Eq. (Americans)							
–	♥Augmitto Expln.	16p	–	–	–	–	–
1,910.3	Bk. Montreal §	18 1/4	$2.12	5.9	2.8	Fb My Ag Nv	–
1,732.2	Bk. Nova Scot. §	985p	92c	4.8	30 6	Ja Ap Ju Oc	–
–	♥BC Gas $1	800p	60c	3.8	30.12	Fe My Au No	–
6,577.5	BCE §	22 1/2	$2.44	5.6	12.6	Ag Jy Oc Ja	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

3.22	Staks Hldgs. 5p	7	–	–	–	4625
2.85	Swanyard Studios 1p	2	–	–	–	4666
0.87	Systems Connection 2½p	7	–	–	–	5152
11.0	Tavern Lels. 20p	43	–	–	–	–
17.0	Tullow Oil 10p	17	–	24.2	–	
3.22	UPL Group 10p		2.75 4.6	22.5	Dec. July	
7.54	Unl Group		5.0 4.6	3.7	Jan Aug	
8.44	Video Magic Lels. 1p		W2.0 2.8	–	Jun July	–
8.22	Vista Ents 5p		–	–	–	
18.2	Vizcaya Hldgs 5p		–	–	–	
64.6	Whitegate Leisure 20p	44	–	–	–	
1.94	Do. Wrrnts		–	–	–	
34.7	Wilton Group 1p	7½	–	13.7	–	

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ♦ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	96	....	Arnotts	420	....
Craig & Rose £1	830	....	Carrol (P.J.)	160	....
Finlay Pkg. 5p	86	....	Hall (R. & H.)	170	+2
Holt (Jos) 25p	1330	....	Helton Hldgs.	92	....
IRISH			Irish Ropes	215	....
Cap. 8½% Ln. 1991	£98½	....	United Drug	150	....
9pc Cap Ln. 1996	£100½	....			
Fin. 13% 97/02	£120½	....			

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	58
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd.	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	16
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	10
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	58
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	38
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES & MONEY MARKETS

Dollar firmer ahead of revised GNP data

A FIRMER dollar was the main feature of a very quiet foreign exchange market yesterday. London was closed for a public holiday and the US currency was confined to a narrow range, lacking fresh factors.

The Bank of Japan intervened several times in Tokyo, but market estimates suggested the scale of dollar sales by the central bank was no more than $100m. It appeared that the Bank of Japan wished to hold the dollar below Y144.50. While the intervention was not heavy, traders said the central bank changed its tactics later in the day, using brokers rather than banks to sell dollars, in an attempt to provide a more obvious impact.

There was no sign of open market intervention by any European central banks, bnt the Bank of Italy bought around $78m and DM11m at the Milan fixing as the lira firmed slightly against European currencies, including the D-Mark. The West German currency fell at the Milan fixing to L717.10 from L717.80. In Paris the D-Mark fell to its lowest fixing level since July last year. It was fixed at FFr3.3676 compared with FFr3.3707 on Friday.

Attention today will focus on revised second quarter US Gross National Prodnct growth. Dealers are expecting an upward revision to around 2.2 per cent from 1.7 per cent and waiting to see whether the dollar mounts another attack on DM1.9700. There was no reaction to yesterday's news that the second quarter US trade deficit narrowed to $27.72bn from $28.38bn.

In Europe the dollar closed at DM1.9645 compared with DM1.9535 in London on Friday; at SFr1.6930 (SFr1.6835); Y144.40 (Y143.30); FFr6.6175 (FFr6.5850); DFl 2.2140 (DFl 2.2025); L1408.75 (L1403.00); BFr41.05 (BFr40.90); SKr6.6275 (SKr6.6150); NKr7.1500 (NKr7.1325); and DKr7.6275 (DKr7.6025).

London's closure meant sterling showed little movement apart from weakening against a strong dollar to $1.5645 from $1.5720. The pound finished in Europe at DM3.0725 against DM3.0700 in London on Friday; at SFr2.6475 (unchanged); Y226.00 (Y225.25); FFr10.3525 (unchanged); DFl 3.4650 (DFl 3.4625); L2204.00 (L2205.00); BFr64.25 (BFr64.30); SKr10.3675 (SKr10.40); NKr11.1850 (NKr11.2125); and DKr11.9325 (DKr11.9500).

Short term interest rates edged up slightly in Frankfurt to 6.70-80 per cent from 6.65-75 per cent on Friday. However, funds remained in good supply, with commercial banks currently on line to achieve their monthly minimum reserve requirements without too much trouble.

Reserve holdings fell to DM53.2bn last Thursday - the latest day for which figures are available - down from DM54.5bn on Wednesday. But the average for the first 24 days of August is DM57.6bn, still above the DM56.4bn requirement for the whole month.

In Paris, the average rate of discount was set slightly higher at yesterday's 13-week sale and repurchase tender at 8.51 per cent from 8.48 per cent last week. A total of FFr5.5bn of bills was allocated against applications of FFr10.58bn. The central bank also sold FFr3bn of 26-week bills at an average rate of discount of 8.37 per cent against 8.31 per cent the week before.

US Treasury bonds were weaker in New York ahead of the release today of revised US GNP data. The Federal Reserve refrained from any intervention in the money market. Some traders had been expecting three-day matched sale and repurchase agreements to offset liquidity inflows caused by Fed dollar sales in foreign exchange markets.

Rates in the tables below are for Friday August 25, except Chicago futures prices which are for yesterday.

This week's FT Guide to World Currencies appears on page 21.

£ IN NEW YORK

Aug.25	Latest	Previous Close
£ Spot	1.5645-1.5655	1.5665-1.5675
1 month	0.63-0.62pm	0.64-0.62pm
3 months	1.90-1.86pm	1.87-1.84pm
12 months	6.28-6.18pm	6.35-6.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.25	Previous
8.30 am	91.2	91.0
9.00 am	91.2	91.0
10.00 am	91.2	91.1
11.00 am	91.2	91.1
Noon	91.2	91.1
1.00 pm	91.2	91.2
2.00 pm	91.2	91.2
3.00 pm	91.2	91.3
4.00 pm	91.3	91.3

CURRENCY RATES

Aug.25	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25470	1.48171
U.S Dollar	7	1.24747	1.05925
Canadian $	12.36	1.46752	1.24441
Austrian Sch.	5	17.2313	14.6230
Belgian Franc	7.75	51.1712	43.4214
Danish Krone	9½	9.51196	8.06673
Deutsche Mark	5.00	2.44841	2.07719
Neth.Guilder	6.00	2.76065	2.34137
French Franc	9½	8.25638	7.00218
Italian Lira	13½	1756.47	1490.90
Japanese Yen	3¼	179.012	152.056
Norway Krone	8	8.91816	7.56359
Spanish Peseta	-	153.238	129.907
Swedish Krona	9½	8.26075	7.01225
Swiss Franc	5.5	2.11010	1.79067
Greek Drach.	20½	210.666	178.781
Irish Punt	-	0.91584	0.778118

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Aug.24

CURRENCY MOVEMENTS

Aug.25	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.3	-19.8
U.S Dollar	71.4	-6.6
Canadian Dollar	105.7	+1.9
Austrian Schilling	106.3	+9.5
Belgian Franc	105.7	-6.2
Danish Krone	103.2	-1.7
Deutsche Mark	112.3	+19.9
Swiss Franc	106.8	+15.9
Guilder	109.9	+13.0
French Franc	99.5	-15.3
Lira	99.4	-18.6
Yen	138.7	+68.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Aug.25.

OTHER CURRENCIES

Aug.25	£	$
Argentina	1020.80-1029.40	650.00-655.00
Australia	2.0685-2.0710	1.3170-1.3180
Brazil	4.0780-4.1270	2.5970-2.6100
Finland	6.9115-6.9350	4.4070-4.4090
Greece	262.20-266.70	167.40-170.10
Hong Kong	12.2640-12.2805	7.8065-7.8085
Iran	116.00*	72.70*
Korea(Sth)	1045.80-1054.20	666.30-671.70
Kuwait	0.46750-0.46890	0.29845-0.29900
Luxembourg	64.25-64.35	40.85-40.95
Malaysia	4.2285-4.2410	2.6945-2.6965
Mexico	4004.00-4023.00	2550.00-2560.00
N. Zealand	2.6715-2.6775	1.7005-1.7035
Saudi Ar.	5.8745-5.8795	3.7500-3.7510
Singapore	3.0925-3.0990	1.9690-1.9710
S. Af (Cm)	4.3385-4.3505	2.7645-2.7675
S. Af (Fn)	6.9730-7.0450	4.3860-4.4845
Taiwan	40.20-40.30	25.60-25.65
U.A.E.	5.7520-5.7575	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Aug.25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14-13⅞	14-13⅞	13 15/16-13 13/16	13 15/16-13 13/16	13⅞-13 13/16	13½-13⅜
US Dollar	9-8⅞	9-8⅞	9-8⅞	8 15/16-8 13/16	8 13/16-8 11/16	8⅝-8½
Can. Dollar	12¼-11⅞	12¼-11⅞	12¼-11⅞	12⅛-11⅞	11 15/16-11 13/16	11 13/16-11½
D. Guilder	7⅛-7¼	7⅜-7¼	7⅜-7¼	7⅜-7⅜	7⅜-7⅜	7⅜-7⅜
Sw. Franc	7⅝-7½	7⅝-7½	7⅞-7⅜	7⅝-7½	7⅝-7⅜	7⅜-7⅜
Deutschmark	6¾-6⅝	6 15/16-6 13/16	7-6⅞	7¼-7	7⅜-7¼	7⅜-7¼
Fr. Franc	9⅛-8 13/16	9⅛-8 13/16	9⅛-8 13/16	9⅛-9	9⅛-9	9⅛-9
Italian Lire	12-10	13½-12½	12½-12	12½-12	12⅝-12¼	12⅝-12½
B. Fr. (Fin)	8½-8¼	8⅜-8⅛	8½-8⅜	8⅝-8⅜	8⅝-8⅜	8½-8⅜
B. Fr. (Con)	8⅛-8	8⅛-8	8⅝-8¼	8⅝-8¼	8⅝-8¼	8⅝-8¼
Yen	5½-5¼	5⅜-5⅛	5⅞-5⅜	5½-5⅜	5⅝-5⅜	5⅞-5⅜
D. Krone	9⅞-9¼	9⅞-9¼	9⅝-9¼	9⅝-9¼	9⅝-9¼	9⅝-9⅜
Asian $Sing	9⅛-8 15/16	9-8⅞	9-8⅞	8 15/16-8 13/16	8 13/16-8 11/16	8⅝-8½

Long term Eurodollars: two years 8 15/16-8 13/16 per cent; three years 9-8⅞ per cent; four years 9-8⅞ per cent; five years 9⅛-8 15/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.25	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.572	3.070	225.3	10.35	2.648	3.463	2205	1.843	64.30
$	0.636	1	1.953	143.3	6.584	1.684	2.203	1403	1.172	40.90
DM	0.326	0.512	1	73.39	3.371	0.863	1.128	718.2	0.600	20.94
YEN	4.439	6.977	13.63	1000.	45.94	11.75	15.37	9787	8.180	285.4
F Fr.	0.966	1.519	2.966	217.7	10.	2.558	3.346	2130	1.781	62.13
S Fr.	0.378	0.594	1.159	85.08	3.909	1	1.308	832.7	0.696	24.28
H Fl.	0.289	0.454	0.887	65.06	2.989	0.765	1	636.7	0.532	18.57
Lira	0.454	0.713	1.392	102.2	4.694	1.201	1.571	1000.	0.836	29.16
C $	0.543	0.853	1.666	122.2	5.616	1.437	1.879	1196	1	34.89
B Fr.	1.555	2.445	4.774	350.4	16.10	4.118	5.386	3429	2.866	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.500	6.34	6.64	6.90	17.09	0.24	0.97	1.69	2.31
1.525	4.21	4.75	5.13	5.43	0.67	1.70	2.46	3.29
1.550	2.46	3.20	3.71	4.08	1.46	2.62	3.99	4.50
1.575	1.35	2.06	2.60	2.98	2.67	4.00	5.01	5.95
1.600	0.63	1.34	1.84	2.11	4.45	5.68	6.66	7.59
1.625	0.24	0.78	1.22	1.55	6.55	7.60	8.51	9.40
1.650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.36

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.5912	0.5918	0.5905	0.5922
Dec	0.5934	0.5940	0.5926	0.5994
Mar	-	-	-	0.5966

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	350.55	351.65	350.10	352.40
Dec	355.00	356.10	354.60	356.85
Mar	359.75	360.10	358.70	361.15

POUND SPOT- FORWARD AGAINST THE POUND

Aug.25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5650-1.5730	1.5715-1.5725	0.65-0.62cpm	4.85	1.90-1.86pm	4.78
Canada	1.8385-1.8470	1.8425-1.8435	0.30-0.21cpm	1.66	0.79-0.66pm	1.57
Netherlands	3.45¾-3.47	3.45¾-3.46¾	2-1⅞cpm	6.50	5⅞-5⅝pm	6.35
Belgium	64.10-64.40	64.25-64.35	32-27cpm	5.51	88-82pm	5.29
Denmark	11.91¾-11.96	11.94½-11.95½	5-4¼orepm	4.64	13½-12¼pm	4.33
Ireland	1.1495-1.1565	1.1510-1.1520	0.45-0.40pcpm	4.43	1.15-1.05pm	3.82
W. Germany	3.06¾-3.08	3.06¾-3.07¾	1¾-1⅝pfpm	6.84	5¼-4⅞pm	6.51
Portugal	256.50-257.40	256.40-257.40	28-2cpm	0.70	2-71dis	-0.57
Spain	191.80-192.75	191.80-192.10	9-18cdis	-0.84	18-30dis	-0.51
Italy	2202-2211¾	2204½-2205½	4-2lirepm	1.63	9-7pm	1.45
Norway	11.18¼-11.21¾	11.20¾-11.21¾	3½-2¾orepm	3.34	8½-7½pm	2.85
France	10.34¾-10.37¾	10.34¾-10.35¾	4¼-3¼cpm	4.78	12¼-11¼pm	4.66
Sweden	10.37½-10.40½	10.39½-10.40½	2¼-1¾orepm	2.31	6-5¼pm	2.14
Japan	224¼-225¼	224¾-225¾	1¾-1½ypm	8.66	4⅞-4¾pm	8.21
Austria	21.60-21.67	21.61-21.63	12¾-11¼gropm	6.80	36½-33½pm	6.45
Switzerland	2.64¼-2.65¼	2.64¼-2.65¼	1½-1¼cpm	6.23	4¼-4⅛pm	6.33
ECU	1.4770-1.4810	1.4800-1.4810	0.58-0.55cpm	4.58	1.60-1.55pm	4.26

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.40-64.50 Six-month forward dollar 3.63-3.58cpm 12 months 6.25-6.15cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5650-1.5730	1.5715-1.5725	0.65-0.62cpm	4.85	1.90-1.86pm	4.78
Ireland†	1.3595-1.3645	1.3640-1.3650	0.12-0.07cpm	0.83	0.45-0.35pm	1.17
Canada	1.1725-1.1750	1.1730-1.1740	0.30-0.33cdis	-3.22	0.93-0.96dis	-3.25
Netherlands	2.2025-2.2130	2.2020-2.2030	0.32-0.30cpm	1.69	0.90-0.86pm	1.59
Belgium	40.80-41.05	40.85-40.95	3.00-1.50cpm	0.66	6.50-4.00pm	0.51
Denmark	7.58¾-7.62¾	7.60-7.60½	par-0.25oredis	-0.20	0.70-1.10dis	-0.47
W. Germany	1.9530-1.9630	1.9530-1.9540	0.34-0.31pfpm	1.99	0.89-0.85pm	1.78
Portugal	163.30-163.85	163.30-163.40	50-65cdis	-4.22	200-240dis	-5.39
Spain	122.15-122.75	122.35-122.45	55-65cdis	-6.88	162-172dis	-5.46
Italy	1402-1409¼	1402¾-1403¾	3.80-4.30liredis	-3.46	11.90-12.60dis	-3.49
Norway	7.12-7.13	7.13-7.13½	0.75-1.00oredis	-1.47	3.35-3.65dis	-1.96
France	6.58¾-6.61¾	6.58¼-6.58¾	0.02-0.07cdis	-0.10	0.25-0.45dis	-0.21
Sweden	6.60½-6.62¾	6.61¼-6.61¾	1.35-1.50oredis	-2.59	4.30-4.55dis	-2.68
Japan	143.25-143.75	143.25-143.35	0.46-0.44ypm	3.76	1.27-1.24pm	3.50
Austria	13.76¾-13.81¾	13.77¾-13.88	2.50-2.00gropm	1.96	6.40-4.90pm	1.64
Switzerland	1.6830-1.6930	1.6830-1.6840	0.22-0.19cpm	1.46	0.66-0.63pm	4.94
ECU	1.0595-1.0620	1.0610-1.0620	0.03-0.02cpm	0.28	0.15-0.12pm	0.51

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.95-41.05.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.25) 3 months US dollars		6 months US Dollars	
bid 8 11/16	offer 8 13/16	bid 8 11/16	offer 8 13/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

(Lunchtime)

Prime rate	10½	One month	8.33	Three year	8.33
Broker loan rate	10	Two month	8.22	Four year	8.28
Fed.funds	9	Three month	8.26	Five year	8.30
Fed.funds at intervention	-	Six month	8.36	Seven year	8.30
		One year	8.37	10-year	8.27
		Two year	8.35	30-year	8.23

Aug.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.70-6.80	6.90-7.05	6.90-7.05	6.95-7.10	6.95-7.15	7.00
Paris	8⅞-9	8 15/16-9⅛	9-9⅛	9⅛-9¼	9⅛-9¼	8.75
Zurich	6¾-6½	7⅛-7⅜	-	7⅝-7⅜	-	-
Amsterdam	7.12-7.25	7.20-7.30	-	7.22-7.32	-	-
Tokyo	5⅛-5⅛	5⅜-5⅛	-	5⅜-5⅛	-	-
Milan	12⅛-12½	12⅜-13	-	12⅝-13	-	-
Brussels	7.70	8¾-8 11/16	-	8 11/16-8⅞	-	-
Dublin	9⅝-9¾	9¾-10	9⅞-10⅛	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Aug.25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14½	14	14	13⅞	13½
Interbank Bid	13	13¾	13⅞	13⅞	13¾	13⅜
Sterling CDs	-	-	13⅞	13⅞	13¾	13½
Local Authority Deps.	14¼	14⅛	14	14	13 13/16	13⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14½	13¾	13¾	13½	-	-
Company Deposits	-	-	14⅛	14⅛	13 15/16	13⅝
Finance House Deposits	-	-	13⅞	13⅞	13¾	13⅝
Treasury Bills (Buy)	-	-	13 11/16	13⅛	-	-
Bank Bills (Buy)	-	-	13 11/16	13⅝	12⅞	-
Fine Trade Bills (Buy)	-	-	14 3/16	14⅛	13⅞	-
Dollar CDs	-	-	8.90	8.80	8.80	8.75
SDR Linked Dep Offer	-	-	8½	8½	8⅜	8¼
SDR Linked Dep Bid	-	-	8¼	8¼	8⅛	8

CROSSWORD

No.7,023 Set by FETTLER

ACROSS
1 Preserve youngsters from certain taverns (8)
5 Argue with one who came out and scoffed (6)
9 Reported having to fake endless row (6-2)
10 Temp is playing up (6)
12 Leasing again, legit rent having been reviewed (9)
13 Fine fabric lining sewn in one piece (5)
14 Injured guy left disfigured (4)
16 'ark to a revolutionary; it's right painful (7)
19 The angler, spurning noise, is rather retiring (7)
21 Love's an endearment (4)
24 According to law it's the French unit of capacity (5)
25 Whisperers, faintly beginning to intrude in ear-shells (9)
27 Or cowardly...... (6)
28 .....funky deeds Ron sanctioned (8)
29 Gunner, with cover, protects our plane spotters (6)
30 Puts ring in bearings (8)

DOWN
1 Frolics, being saucy little items (6)
2 There's no line in verse that describes this nincompoop (6)
3 Being imperfect, take off and throw out (5)
4 One is only storming at the top of one's voice (7)
6 Entire three hundred is funny peculiar (9)
7 The pursuit of flying sparks (8)
8 He'll contrive to make motor sovereign (8)
11 In the Shetlands, a fiddle sets one quivering (4)
15 Where one develops an appetite for third degree? (5-4)
17 He uses complex polymer with energy (8)
18 Carp in South Dakota is caught in this way (8)
20 Greet what sounds like a hard reign (4)
21 See EEC fend off protection (7)
22 Treachery demands decapitation; there's the justification (6)
23 As it's about eleven, whispers are in order (6)
26 Joey adopts a way to settle for the night (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 9.

JOTTER PAD

BASE LENDING RATES

	%		%
Business Mtge Tst	14½	● Leopold Joseph & Sons	14
CL Bank Nederland	14	Lloyds Bank	14
● Charterhouse Bank	14	McDonnell Douglas Bank	14
Citibank NA	14	Meghraj Bank Ltd	14
		Midland Bank	14

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sweeper 8.25%. Top Tier-£10,000+ instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 13.25%-15%

UK clearing bank base lending rate
14 per cent
from May 24

a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield.s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.H Dividend and yield based on Prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91.L Estimated annualised dividend,cover and p/e based on latest annual earnings.M Dividend and yield based on Prospectus or other official estimates for 1988.N Dividend and yield based on prospectus or other official estimates for 1989-90. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.¥ Issued by tender.♠ Offered to holders of ordinary shares as a "rights".‡ Introduction.§ Placing price.†† Reintroduction.¶ Issued in connection with reorganisation merger or takeover.‡ Allotment price.♣ Unlisted securities market.♦ Official London listing.□ Including warrants entitlement.* Third Market.

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · SINGAPORE · JAPAN

[illegible]

CANADA

TORONTO
Closing prices August 25

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL
Closing prices August 25

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 6,865,713 shares.

INDICES

NEW YORK — DOW JONES

	Aug 25	Aug 24	Aug 23	Aug 22	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2732.36	2734.64	2678.11	2650.99	2734.64 (24/8)	2144.64 (3/1)	2734.64 (24/8/89)	41.22 (2/7/32)
Home Bonds	93.01	93.04	93.02	93.04	94.15 (2/8)	87.35 (23/3)	-	-
Transport	1467.99	1448.79	1437.77	1433.50	1467.99 (25/8)	959.95 (3/1)	1467.99 (25/8/89)	12.32 (8/7/32)
Utilities	218.37	219.32	216.30	213.34	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2758.73 (2738.43) Low 2715.48 (2672.23)

STANDARD AND POOR'S

	Aug 25	Aug 24	Aug 23	Aug 22	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	350.52	351.52	344.70	341.19	351.52 (24/8)	275.31 (3/1)	351.52 (24/8/89)	4.40 (1/6/32)
Industrials	401.79	402.64	394.64	390.50	402.64 (24/8)	318.66 (3/11)	402.64 (24/8/89)	3.62 (21/6/32)
Financial	33.26	33.29	32.63	32.59	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	194.79	195.29	191.84	190.11	195.29 (24/8)	154.98 (3/1)	195.29 (24/8/89)	4.46 (25/4/42)
Amex Mkt. Value	381.18	381.45	377.70	375.86	382.24 (10/8)	305.24 (3/1)	382.24 (10/8/89)	29.31 (9/12/72)
NASDAQ Composite	466.75	465.88	461.68	458.36	466.75 (25/8)	378.56 (3/1)	466.75 (25/8/89)	54.87 (31/10/72)

	Aug 18	Aug 11	Aug 4	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.43	3.41	3.79

	Aug 23	Aug 16	Aug 9	year ago (approx.)
S & P Industrial div. yield	2.88	2.87	2.86	3.29
S & P Indl. P/E ratio	14.40	14.44	14.49	13.57

TRADING ACTIVITY † Volume Millions

	Aug 25	Aug 24	Aug 23
New York	169.942	227.519	160.213
Amex	13.447	16.710	14.186
OTC	126.728	144.808	139.687

NEW YORK

	Aug 25	Aug 24	Aug 23
Issues Traded	1,982	1,968	1,961
Rises	701	1,187	995
Falls	793	353	467
Unchanged	488	428	499
New Highs	137	160	66
New Lows	7	9	10

CANADA

TORONTO	Aug 25	Aug 24	Aug 23	Aug 22	1989 High	1989 Low
Metals & Minerals	3812.7	3840.0	3769.9	3745.3	3840.0 (24/8)	3207.5 (3/1)
Composite	3974.7	3979.5	3942.1	3935.4	4019.7 (10/8)	3350.3 (6/1)
MONTREAL Portfolio	2022.73	2023.07	1998.41	1990.64	2035.23 (10/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Phillips Pet.	2,979,200	29½	+ 1⅜	Savin Bus	2,021,800	⅛	- 1/16
Gen Motors	2,521,000	47⅞	+ 1¼	Texas Utilities	1,926,600	32⅞	---
BankAmerica	2,418,900	32½	+ ⅞	S J Royl	1,613,100	9⅝	---
Union Carbide	2,245,400	29⅝	+ ⅝	K mart	1,607,000	43½	- ⅛
Maytag	2,137,600	25½	- 1	Gen Electric	1,508,700	58⅝	+ ½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 28	Aug. 25	Aug. 24	Aug. 23	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1769.1	1765.2	1747.4	1738.0	1769.1 (28/8)	1402.9 (7/4)
All Mining (1/1/80)	867.0	859.7	841.9	830.4	867.0 (28/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	422.19	416.28	412.67	407.18	422.19 (28/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6510.77	6489.52	6439.47	6423.19	6510.77 (28/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	339.05	340.09	340.14	339.85	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	778.5	782.2	783.5	785.0	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	523.2	523.1	516.5	509.7	523.2 (28/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	123.7	124.0	122.8	121.0	124.0 (25/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	658.28	662.10	657.71	658.29	664.22 (10/8)	535.78 (27/2)
Commerzbank (1/12/53)	1978.9	1982.6	1969.5	1969.8	1990.1 (10/8)	1595.7 (27/2)
DAX (30/12/87)	1595.87	1604.38	1592.04	1586.48	1609.93 (10/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	2516.78	2499.08	2521.39	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	732.48	731.27	723.12	718.29	732.48 (28/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34607.41	34739.93	34786.55	34893.2	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2610.29	2622.7	2630.97	2644.02	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Tdl.Rtn.Gen.(End 1983)	262.3	264.9	263.2	261.2	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	203.5	205.5	204.4	203.0	207.0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	668.09	672.17	666.47	659.98	672.17 (25/8)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1345.96	1355.18	1357.26	1376.74	1387.01 (21/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1608.0♦	1615.0	1636.0	1653.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2838.0♦	2838.0	2836.0	2833.0	2838.0 (25/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	322.40	320.28	318.50	315.76	322.40 (28/8)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4598.9	4576.2	4501.2	4441.4	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	825.8	822.9	818.7	815.3	825.8 (28/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	538.8	539.2	537.2	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

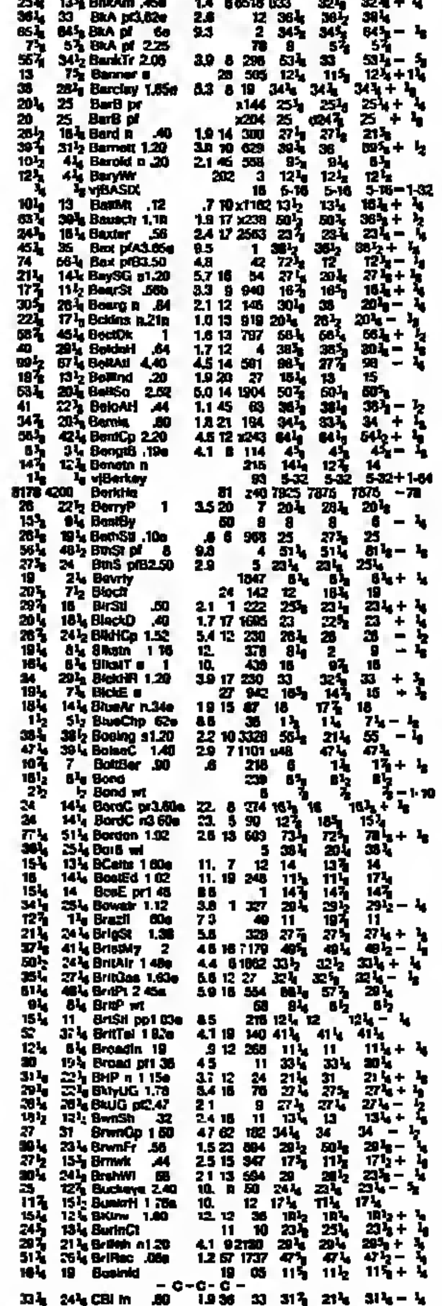
TOKYO - Most Active Stocks
Monday August 28 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NKK	13.9m	799	-1	MELCO	3.8m	1,120	-10
Nippon Steel	11.7m	815	-2	IHI	3.6m	1,170	uch
MHI	6.9m	1,160	-10	Secom	3.3m	7,900	+390
Toshiba	4.4m	1,310	-20	Hitachi	3.2m	1,610	-20
Kawasaki Steel	4.4m	871	-1	Sumitomo Metal	3.2m	788	-7

2pm prices August 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Data omitted because of technical difficulties										
38½	29⅞	AGnCp	1.50	4.0	6	143	37⅞	37¼	37¼	− ⅛
6¼	1⅞	AmGvl	.64a	10.		z27	6⅛	6	6⅛	+ ⅛
16⅛	8⅞	AGIP	e1.08e	11.		z216	12	9⅞	9⅞	+ ⅛
12½	9¼	AGTT	n.51s	2.8		z44	19½	10¼	16¼	+ ⅛
23¼	17½	AHltPr	2.24	10.	14	51	25⅛	22⅞	22½	+ ⅛
27⅞	24⅝	AHerit	1.20	4.4	11	8	27½	27⅞	27½	+ ⅛
103	70⅝	AHome	3.90	3.9	16	312	100½	99¼	100⅛	− ⅛
63	44½	Amrtch	e2.92	4.7	14	1052	61⅞	61¼	61⅞	+ ⅛
97	60½	AIntGr	.48	.5	12	300	95¼	95⅛	95¼	− ⅛
28⅞	14¼	AMI	.72	2.8	81	801	26⅛	25¼	25¼	− ⅛
49⅞	29¼	APresd	.60	1.8	15	242	34½	34⅛	34⅛	− ½
58	53¼	APrsd	pf3.50	6.1		z63	58	57¼	57¼	− ⅛
10⅞	13	AREst	2	14.	6	20	14⅛	14	14⅛	− ⅛
4⅞	3⅞	AmRlty	.70	18.	2	91	4¼	4⅛	4¼	+ ⅛
18¼	11¼	ASB	.80	5.2	6	72	16¼	15½	15⅞	+ ⅛
5⅞	5	AShip				17	3½	3⅞	3½	+ ⅛
72½	49¼	AmStor	1	1.4	26	107	70¼	69½	70	+ ⅝
78	66⅛	AStr	pfA4.38	5.8		5	75⅞	75	75⅞	
41	24¼	AT&T	1.20	3.0	20	7474	40	39⅞	39⅞	
21½	19	AmWtr	.74	4.9	16	119	16⅛	16½	15⅝	+ ⅛
15	8⅝	AmHotl	.8c			1	6⅞	6⅞	6⅞	− ⅛
38¼	29¼	Ameron	1.28	3.4	10	10	37½	37½	37½	
20	12⅞	AmeDp	.16	.8	20	69	19¼	19⅞	19⅞	− ⅛
15⅞	12¼	Ametek	.64	4.4	19	725	14½	14⅜	14½	+ ⅛
12⅞	9⅞	AmevSc	1.08a	10.		2	10½	10½	10½	
40	24	Amoco	e1.60	4.0	12	4276	48⅛	47⅞	48	− ⅛
49⅞	40¼	AMP	1.20	2.6	18	744	46	45⅞	45⅞	+ ⅛
12⅞	12¼	Ampco	.30	2.8		14	15⅞	16¼	16¼	
18	8¼	Amre s	.08	1.2		46	6⅞	6⅞	6⅞	
9¼	6½	Amrep			34	12	6½	6	6⅞	− ⅛
29⅛	22⅞	AmSth	1.32	4.7	6	45	28	27⅞	28	
9¼	4⅛	Anacmp			27	604	6	5½	6⅞	− ⅛
37	24¼	Anadrk	.30	.8	31	445	36⅞	36	36	− ½
12⅞	2⅞	Analog			12	201	12	9⅞	9⅞	− ⅛



Continued on Page 35

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
29¾	22	Shawkt	1.36	4.9	8	484	27¾	27½	27½	− ⅛
24⅛	16½	ShLehH	.75	3.3		170	20	62¾	20¾	− ¼
13¼	8¼	Shelby	.24	2.0	21	8	11⅞	11⅞	11⅞	− ⅛
43	32⅝	ShellT	a2.40e	5.8	11	501	41¼	41	41⅛	− ⅛
20¼	24⅞	Shrwin	.70	2.1	14	378	33½	33¼	33½	− ⅛
12½	8¾	Shoney			18	288	72½	13⅛	12⅝	
16⅝	7⅝	Showbt	.36	2.1	20	253	16⅞	19½	18¼	− ⅛
20⅞	21¾	SierPac	1.60	7.5	12	67	24	22⅝	20¾	− ¼
7⅞	4½	SgnlApl				41	7½	7¼	7¼	+ ⅛
38⅝	23¾	Signet	1.58	4.1	7	22	u38½	30¼	38⅝	+ ⅛
16¾	14	Sizeler	1.50	10.	16	116	15½	16½	15½	
20¼	13⅜	Skyline	.48	2.6	14	177	18⅝	17⅞	18⅝	+ ⅛
23⅜	17¼	SlhCor s			10	151	13¾	18¼	18⅛	− ⅛
13¼	7¼	Smithin				65	13⅛	13	13	
48	40¼	SmthBc			19	170	48⅛	45⅞	45⅛	
44¾	39⅛	SmtB eq				1605	41⅝	41¼	41½	
24¾	20½	SmtFD n.20		.9	21	118	22½	22¼	22⅜	− ⅛
71¾	55⅝	Smuckr	1.04	1.5	16	11	70½	70⅜	70½	
41⅞	32½	SnapOn	1.08	3.0	13	481	35⅞	35½	35⅝	− ⅛
6	3	Snyder	.60	15.		145	6⅞	3⅝	3⅞	
14¼	9¼	Snydr pf2.00		19.		4	10⅞	10⅞	10⅞	− ⅛
4⅝	1	Solitron				2	1⅛	1⅛	1⅛	− ⅛
42½	25⅛	Sonat	2	4.8	17	178	41⅞	41½	41½	− ⅜
62⅞	46⅞	SonyCp	.29e	.5	33	28	60⅞	60⅝	60⅞	− ⅞
26⅝	16¾	SooLin			23	31	17⅝	17¼	17¼	− ¼
42½	35⅝	SourcC	3.60	8.8		5	41¾	41¾	41¾	
29	35	SCrlf pf2.60		8.8		8	29⅛	29⅛	29⅛	
29½	17½	SoJerIn	1.40	6.4	22	8	22	21¾	21¾	− ⅛
20½	13⅛	Souther	.50	2.0	12	13	25½	20¼	25½	
29⅛	20⅛	SoestBk	1.12	4.1	9	182	27¾	27¼	27¼	
28¾	20⅛	SouthCo	2.14	7.6	8	2540	27⅞	37⅛	37⅛	− ⅛
32⅞	26¼	SoInGs	1.60	6.1	10	11	29¾	20⅝	29¾	+ ⅛
86½	51¼	SNETl	3.24	3.9	14	101	83½	62¾	83	− ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
44¾	29⅝	XTRA	.72	2.3	10	18	31⅞	31⅝	31⅛	− ⅛
4¾	2	Zapata				102	2⅞	2⅛	9⅜	− ⅛
16½	10½	Zemex	.40	3.6	125	z2	11¼	11⅛	11⅜	− ⅛
22⅝	16¼	ZenithE				212	17	16⅛	16⅞	
10½	8⅞	Zeloc	1.28	14.		73	9⅛	9	9⅛	+ ⅛
2¾	1⅛	vjZenLb				474	1⅝	1½	1⅝	
20¾	15	ZenNtl	.84	4.4	9	41	19¼	19⅛	19⅛	− ⅛
22⅝	14¾	Zero	.50	2.3	18	134	21⅞	21¾	21¾	
44¾	21½	Zurnin	.85	1.7	20	438	41	40⅝	40⅞	+ ¼
16	16	Zweig	1.09e	9.3		116	11¾	11⅝	11¾	
10⅛	8¾	Zweig s	.96	10.		1146	9⅝	9½	9½	− ¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices August 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
TriSM		9	8	18⅛	18	18	
TubMex			18	8¼	5⅝	5⅝	

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 28

Unlocked treasure still lies hidden in Europe's high-flying bourses

Guy Rigden uses unconventional methods to argue that the Continent is relatively cheap

CONTINENTAL European equity markets have enjoyed e significant recovery in tbe past year, a recovery that has accelerated in the past three months.

Until recently, it has been possible to justify such performance in terms of a return to pre-crash levels. France and Sweden now stand et all-time highs, while only the markets of West Germany and Italy are more than 10 per cent adrift of their pre-October 1987 peaks.

Conventional price earnings ratios are by no means back to the beedy days of 1987; in broad brush terms, European markets sell on 12 to 14 times current year earnings. Yet these levels are close to the everages of the past 10 years and, when ratings are compared with those of the respective bond markets, equities appear expensive.

However, the past is likely to be of only limited nse in assessing the future trend of markets; both the forces driving them and the way of evaluating them are changing.

Table 1 shows the forecast trend in industrial production in 1989 and 1990 in the leading European economies, compared with the average for the last 10 years and the performance in the UK, the US and Japan. The key point to be drawn from the table is that, although European industrial production in 1989 and 1990 is forecast to grow at epproximately the rates shown for the US and Jepan, it is accelerating markedly when compared with the last 10 years' growth.

In summary, industrial prodnction growth in Europe is likely to be at two to three times the average of the past 10 years during the next two years, while in the US and Japan the long-term growtb rates are likely only to be matched. This forecast trend in industrial production raflects the investment boom triggered by the earlier economic recovery and boosted by re-equipping in the run-up to the single European market in 1992. We appear to be witnessing an end to a period of relative de-industrialisation in Europe.

With the share of profits in total gross national product (GNP) having recovered to the levels of the 1960s, it is unreasonable to expect companies' average profit margins to rise much further. Therefore, profits are more likely to move in line with nominal industrial production or, as is likely in the UK, suffer wage pressure and grow at a slower rate.

Yet in continental Europe, not only does wage pressure appear mnted, and nominal (and real) GNP growth strong, but stock markets will continue to benefit from structural reform, tax reform and innovations in investment analysis. For these innovations to be relevant, there must be undiscounted value in markets.

Table 2 attempts to indicate the appropriate degree to which such value could exist within certain continental European equity markets. It represents a crude leveraged bnyont (LBO) valuation applied to complete equity markets. The left-hand column is the price to cash flow ratio, which is much more relevant in cross-border market comparisons than the often distorted price earnings ratio.

Judging by the left-hand column alone, the European markets often appear undervalued. If one were to divide the cash flow by the relevant local corporate borrowing rate, then an estimate of the total debt that that cash flow could sustain would be obtained. The figures in the right-hand column compare that potential sustainable debt with the equity valuation of the market. Therefora, in the UK the price or market capitalisation of the market represents 94 per cent of the debt that the cash flow of that market could sustain; in Germany the figure is 35 per cent.

Put another way, theoretically the whole German market could be bought almost three times over with the cash flow generated by that market. Existing debt, taxation and other demands upon cash flow should be taken into account, but the model is accurate enough to give a rough idea of the extent to which value may remain in European markets.

To be of interest to investors, such value should have the prospect of being at least partially realised. Fortunately this is the case, since accounting legislation, disclosure requirements, tax reform and corporate law are all tending to be revised towards greater visibility and enhanced freedom.

For example, forthcoming corporate tax reductions in Germany are not important solely for the tax savings that companies will directly enjoy, but they also imply that companies may modify the very heavy over-depreciation policies of the past, and thus produce higher reported earnings.

Additionally, a combination of proposed measures to force the German banks to reduce their substantial equity holdings to no more than, say, 10 per cent should not just be seen as bringing potential excess supply to the market but also as implying changes in corporate disclosure levels and a rise in the institutional holdings of the market.

Institutional shareholders are more likely to take an active role in securing value for shareholders than private investors, trade cross holdings and banks – the important existing shareholder groups.

In summary European markets are still relatively cheap and should enjoy strong momentum in the next years.

Guy Rigden is Head of European Strategy at UBS Phillips & Drew.

Table 1: INDUSTRIAL PRODUCTION (% growth per annum)

	Average 1978/87	1989E	1990E
US	3.2	3.1	3.3
Japan	4.1	6.2	3.2
UK	1.3	4.0	1.0
Germany	1.1	4.5	2.8
France	0.9	4.9	3.4
Italy	1.6	3.0	2.2
Spain	1.8	3.9	3.5

Table 2: MARKET VALUE VERSUS POTENTIAL DEBT VALUE

Market	Price/cash flow ratio (end July 89)	Corporate borrowing rate†	Price: serviceable debt %*
UK	8.0	11.8	94
Germany	5.1	6.8	35
France	5.8	8.9	52
Italy	3.8	11.8	45
Switzerland	9.1	5.7	52
Netherlands	5.3	7.3	39
Spain	4.9	14.5	71
Sweden	9.2	11.9	109
US	7.4	9.0	67
Japan	17.9	5.1	91

†Based on prevailing rate in each market *Market valuation relative to the total debt that could be serviced if all cash earnings were dedicated to interest payments (ignoring tax, capital expenditure, depreciation and existing debt).

AMERICA

Dow ignores improved deficit data

Wall Street

A QUIET day on Wall Street saw equities narrowly mixed in ligbt trading, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was up 0.38 at 2,732.74. Volume on the New York Stock Exchange was light, with only 75m issnes changing hands at 1 pm. Declining issnes outpaced those advancing by a ratio of seven to six.

Among other market indices, the Dow Jones Utilities Average slipped 0.81 to 217.56 at 1 pm, while the Composite Average was up 5.13 at 1,093.41. The S&P 500 index slid 1.36 to 349.16, while the AMEX composite declined 0.29 to 380.89.

The market was unmoved by a morning report thet the nation's current-account deficit narrowed in the second quarter to $27.72bn from $31.41bn a year earlier, although the figure was slightly higher than the $26bn to $27bn most analysts had expected.

The debt market drifted broadly lower in desultory morning trading. At mid-session the Treasury's benchmark 30-year bond was down ⅛ point at 98, yielding 8.21 per cent. At the short end, 3-month Treasury Bills were up $\frac{1}{16}$, yielding 8.23 per cent, while the 3-year bond was down $\frac{1}{32}$ point to yield 8.37 per cent. Fed Funds were at 8$\frac{11}{16}$ per cent. Both markets are waiting for a series of economic reports this week, particulerly Friday's report on August employment.

The dollar held its ground against the yen yesterday, in spite of comments by the Bank of Japan Governor, Mr Satoshi Sumita, that the central bank would intervene to halt the Japanese currency's decline. At midday, the dollar was trading at Y144.25 and DM1.9595, marginally above Friday's New York close of Y143.60 and DM1.9590.

Transportation issues posted gains throughout the morning. By 1 pm the Dow Jones Transportation Average had risen 19.39 points to 1,487.38. Airline issues continued to lead the sector. UAL, the parent of United Airlines, rose $4⅝ to $282. Mr Marvin Davis, who has offered $275-a-share for UAL, last week said he might increase his bid.

AMR, parent of American Airlines, added $1⅞ to $81. Delta Air Lines was up $2½ at $80¼, while USAir fell $¼ to $50⅝. Shares in Texas Air, which last week said it might sell its Continental Air Lines subsidiary, continued to inch upwards, gaining $⅞ to $21¾.

Walt Disney slipped $⅛ to $116⅞. The gronp yesterday said it would acquire Henson Associates, tbe company founded by Jim Henson who created the Muppet Show.

International Flavors & Fragrances jumped $2⅝ to $71⅞ although the company denied that it had received any takeover offers. The stock has risen sharply since last Thursday on rumours that a West German company is planning to bid it.

Canada

BUYERS evaporated from the Toronto market at midday and prices fell back, with the composite index losing 7.1 to 3,967.6 and losses leading gains by 251 to 185.

Volume was low, with 9.1m shares changing hands, and investora appeared unwilling to take positions at the start of a week full of US economic figures.

Some metal stocks edged ahead in quiet trading, with Cominco Resources up 5 cents at C$3.80 and Ego Resources also gaining 5 cents to 56 cents.

ASIA PACIFIC

Earnings forecasts add to malaise

Tokyo

INTEREST in equities faded further yesterday as a weaker yen and disappointment about earnings prospects in the high-technology sector cast shadows over the market, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average declined for a fifth straight trading day, losing 132.52 to 34,607.41. The Nikkei has shed over 500 points since last Tuesday.

The day's high was 34,749.32 and the low was 34,492.57. Declines outnnmbered advances by 562 to 328 while 210 issues were unchanged. Volume slipped to 314m shares from 418m on Friday.

Trading activity has been low since May, but turnover during most of August has been at half the normal daily level for this time of year. The Topix index of all listed shares fell 12.41 to 2,610.29.

Yesterday was the last trading day for settlement in August; most institutional investors have already achieved their performance targets for the half-year to September.

There has also been concern over the possible effects of Tokyo's first triple-witching hour – when the futures contracts on the Nikkei 225 and the Topix index, and the Nikkei options contract expire on September 7 – according to Mr Shin Tokoi at County NatWest.

The yen's weakness added to the malaise, with the bears forecasting a fall to Y150 to the dollar.

But perhaps the most jolting news was a downward revision in earnings forecasts for Kyocera, a leading manufacturer of semiconductor parts. Forecasts by two securities firms of a drop in Kyocera's earnings this year led the stock to plunge Y540 to Y5,860.

Already stung by a Y100 drop in Honda's share price on Friday after a 41 per cent fall in consolidated profits for the second quarter, investors turned bearish on a range of high-tech issnes. TDK, the world's largest maker of magnetic tapes, declined Y120 to Y5,950.

Earnings considerations dominated the market. Securities companies are now expected to produce lower profits than originally expected for the six months to September, and their share prices fell; Yamaichi Securities ended Y60 lower at Y1,780.

High-priced and volatile issues were favoured as some investors concentrated on making quick profits. Secom, a pioneer in the security service industry, surged Y390 to Y7,900 in active trading.

Large capital steels and shipbuildings were actively traded but closed lower as investors were discouraged by the weaker yen and the bleak near term outlook for interest rates.

NKK topped the actives list with 13.9m shares and lost Y1 to Y799. Nippon Steel followed with 11.7m shares and fell back Y2 to Y815.

Large volume issues were out of favour in Osaka as well and their decline contributed to a 123.37 point drop in the OSE average to 34,858.34.

Roundup

SHARES closed lower on overseas and some domestic worries in Singapore and Taiwan, and were higher on demand for resource stocks in Australia. Hong Kong was closed for a holiday.

AUSTRALIA was quietly positive, the All Ordinaries index edging up 3.9 in lower volume to 1,769.1, its fourth consecutive post-crash high.

Bond Corp dropped 11 cents to 50 cents, its lowest level in two months. Asked to explain by the Australian stock exchange, Bond said that it knew of no market-sensitive information which would explain the drop. Market gossip took in profit fears, and speculation about substantial asset sales.

SINGAPORE slipped in sharply lower volume as the holidays in Hong Kong and London, combined with a lacklustre performance by Tokyo, helped to dampen sentiment. The Straits Times industrial index dropped 9.32 to 1,345.96.

TAIPEI edged down, but volume soared to a record of NT$194.1bn, or NT$53.3bn higher than Friday's peak. The weighted index shed 11.41 to 10,011.20.

EUROPE

Disappointing session for Dutch optimists

ACTIVITY was restrained in a number of European markets yesterday by the bank holiday in London, and the absence of London-managed international investment funds, *writes our Market staff.*

AMSTERDAM was severely depressed by more disappointments on the corporate front. The CBS tendency index ended 4.5 lower at 190.8, a fall of 2.3 per cent. Turnover was fairly active at Fl 881m, in spite of the holiday in the UK and uncertainty over tbe general election on September 6.

The most active stock was Hoogovens, the steel group, which plunged Fl 15.20, or 14 per cent, to Fl 92.50 after reporting a sharp rise in first half profits on Friday. The company forecast higher profits for the whole year, but a slight dip in the second half, and the figures appear to have disappointed some very high expectations. More than 800,000 Hoogovens shares changed hands.

Wessanen, the foods group, lost Fl 7.20, or 7.5 per cent, to Fl 88.20 after its figures late on Fridey proved to be below expectations. "The market's had quite a good run and you need good results to justify this," said one salesman.

The other significant move came from Ahold, which dropped Fl 8.50 to Fl 135.80, a loss of 5.9 per cent, after being suspended for news that it was beefing np its anti-takeover defences through an issne of preference shares.

The stock has been driven up by speculation that Asko of West Germany might mount a bid after building a 14 per cent stake.

FRANKFURT failed to respond to good company news. A 19 per cent rise in first half profits at Bayer left the shares DM4.80 lower at DM308.70. Other chemical stocks were also down, BASF by DM4.50 to DM297 and Hoechst DM2.10 et DM296.60.

The DAX index fell 8.51 to 1595.87 as domestic investors took profits on Friday's gains, and pnshed most blue chip shares gradually lower during the session. The utility, Viag, found a 23 per cent rise in first half profits ignored as the shares dropped DM2 to DM345.

Turnover slid from DM4.4bn to DM3.7bn although Daimler, which prompted Friday's surge in business on American buying, was still far and away the most active stock in turnover of DM571m. The FAZ index ended 3.82 lower at 658.28.

In the retailing sector, Asko tumbled DM28 to DM850, ex e DM15 dividend, the net decline reflecting continued worries about its fend with Dutch retailer Ahold and its exclusion from a European retailing alliance.

PARIS went into reverse after its sharp rally last Thursday and Friday. The absence of trading in London kept turnover well below its level of FFr3.2bn on Friday, and possibly even below FFr2bn, according to one estimate. The OMF 50 index lost 2.71 to 520.37.

Groupe Victoire recovered FFr128, or 7 per cent, to FFr1,880 as some investors speculated that Mr Jean-Marc Vernes, chairman of Cie Industrielle, the main shareholder in Victoire, would still launch e counter-bid for the two companies to fend off bids from Snez. The stock suffered from profit-taking in the previous three sessions on disappointment that a counter-bid had not materialised.

Among active stocks was Accor, the botel group, up FFr23 at FFr859 on speculative interest following the purchase of the US Holiday Inn chain by Bass of the UK.

MILAN firmed again, and the Comit index ended 1.21 higher at 732.48. However, volume was not so heavy as last week's, although the number of traders and brokers was decisively higher because of the end of the August vacation season.

ZURICH closed mixed to slightly higher in modest volume as the merket consolidated the advances it made last week. Activity involved mainly two-way trading in the blue chips and the Crédit Suisse index nudged up 0.7 to 679.7.

Traders said that many investors preferred to step to the sidelines or hold their positions at low levels pending the release of key US economic data this week. Those figures, they said, could set the tone for Wall Street, the dollar, and, in turn, the local market.

MADRID rose to its third straight record for the year, again supported by interest in the banking and construction sectors, with the general index up 2.22 at 322.40.

STOCKHOLM continued to be buoyed by Ericsson, whose free B-shares closed SKr33 up at SKr818 after surging 11.8 per cent on Friday on its strong half-year results.

Volvo free Bs rose SKr17 to SKr510 in anticipation of the company's six-month figures due today.

BRUSSELS focused on the steel sector, which was driven higher by bank forecasts of strong results.

The cash market index broke through 6,500 for the first time, closing 21.25 up at 6,510.77.

SOUTH AFRICA

GOLD shares closed with light losses in Johannesburg on a weaker bullion price in an otherwise steady market.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 25 1989						THURSDAY AUGUST 24 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	153.78	+0.5	145.01	134.74	+0.9	4.63	152.98	144.46	133.49	157.12	128.28	147.21
Austria (19)	146.24	+1.2	137.93	146.78	+1.0	1.63	144.53	136.48	147.25	146.24	92.84	86.75
Belgium (63)	133.22	+0.5	125.64	134.69	+0.4	4.11	132.57	125.19	134.20	137.97	125.58	111.44
Canada (123)	151.60	+0.1	142.97	128.82	−0.2	3.15	151.38	142.95	129.02	153.59	124.87	117.53
Denmark (36)	198.60	+0.1	187.31	205.36	−0.1	1.53	198.45	187.40	205.46	219.89	165.35	122.34
Finland (26)	136.98	+0.6	129.19	126.72	+0.6	2.17	136.15	128.56	126.00	159.16	125.91	121.33
France (126)	129.55	+1.4	122.19	133.81	+1.0	2.82	127.75	120.63	132.46	133.44	112.57	90.25
West Germany (100)	98.57	+0.9	61.08	98.08	+0.7	2.08	95.69	90.36	97.43	100.53	79.56	74.17
Hong Kong (48)	105.40	+0.6	99.41	105.65	+0.8	5.24	104.59	98.77	104.83	140.33	86.41	100.24
Ireland (17)	155.23	+0.7	146.40	160.30	+0.5	2.62	154.15	145.57	159.53	166.69	125.00	129.90
Italy (97)	95.79	+1.4	90.34	100.37	+1.2	2.24	94.47	89.21	99.20	95.78	74.97	71.84
Japan (455)	183.47	−0.4	173.04	166.19	−0.4	0.48	184.25	173.99	198.90	200.11	164.22	160.54
Malaysia (36)	189.93	+0.6	179.13	197.17	+1.0	2.47	188.16	177.68	195.15	193.38	143.35	137.53
Mexico (13)	283.21	+0.4	267.10	781.14	+0.5	0.64	282.09	266.38	787.25	283.24	153.32	151.15
Netherland (43)	126.22	+0.8	119.04	126.88	+0.6	4.09	125.17	119.20	126.14	130.67	110.63	101.20
New Zealand (20)	83.57	−1.4	78.82	75.53	−0.6	4.57	84.74	80.02	76.01	88.04	62.64	75.17
Norway (24)	183.00	+0.4	172.59	177.17	+0.4	1.46	182.25	172.10	176.43	196.39	139.92	109.95
Singapore (26)	164.37	−0.4	155.02	149.22	−0.4	1.68	165.05	155.67	146.61	170.82	124.57	120.34
South Africa (60)	144.96	−3.3	136.71	140.53	−0.6	3.95	149.98	141.63	141.62	154.97	115.35	115.65
Spain (43)	157.93	+0.6	148.95	146.44	+0.6	3.52	156.66	147.94	145.57	158.06	143.14	143.90
Sweden (35)	184.51	+2.5	174.01	160.68	+2.5	1.82	179.93	169.91	176.27	188.94	138.45	112.31
Switzerland (64)	92.13	+0.7	86.89	98.19	+0.4	1.96	91.46	86.39	95.76	94.19	87.81	76.03
United Kingdom (307)	154.68	+0.3	145.88	146.88	+0.1	4.01	154.26	145.67	145.67	158.41	133.28	124.89
USA (550)	142.71	−0.2	134.59	142.71	−0.2	3.20	143.05	135.10	143.08	143.06	112.13	106.13
Europe (1000)	129.46	+0.7	122.13	127.05	+0.5	3.24	129.56	121.42	126.41	132.82	112.63	101.40
Nordic (121)	169.91	+1.3	159.96	162.78	+1.2	1.75	167.42	158.10	160.60	178.38	137.95	108.26
Pacific Basin (670)	179.49	−0.4	169.28	162.78	−0.4	0.71	180.17	170.14	163.37	194.72	160.44	157.82
Euro–Pacific (1670)	159.91	+0.0	150.53	148.36	−0.1	1.54	159.64	150.75	146.49	168.98	141.56	135.14
North America (673)	143.13	−0.2	134.99	141.83	−0.2	3.20	143.46	135.47	142.19	143.46	112.78	106.73
Europe Ex. UK (693)	113.53	+1.0	107.07	115.43	+0.9	2.85	112.36	106.10	114.53	116.28	96.30	86.75
Pacific Ex. Japan (215)	131.69	+0.4	124.20	120.05	+0.7	4.51	131.19	123.88	119.22	137.65	111.63	122.45
World Ex. US (1866)	159.27	+0.0	150.21	147.87	−0.1	1.62	159.34	150.46	146.00	168.35	141.49	134.35
World Ex. UK (2106)	152.05	−0.1	143.41	146.12	−0.2	1.96	152.28	143.90	145.38	155.88	136.86	123.28
World Ex. So. Af. (2356)	152.32	−0.1	143.66	146.11	−0.1	2.13	152.46	143.97	146.31	155.92	136.87	123.45
World Ex. Japan (1961)	137.71	+0.1	129.88	135.99	+0.1	3.27	137.58	129.92	135.91	138.23	114.51	105.60
The World Index (2416)	152.27	−0.1	143.91	145.07	−0.1	2.14	152.44	143.95	148.27	155.89	136.68	123.41

Latest prices were unavailable for this edition.